armour energy

Annual Report

for the year ended 30 June 2019

ARMOUR ENERGY LIMITED ABN 60 141 198 414

Corporate directory

Directors

Nicholas Mather	Executive Chairman
Stephen Bizzell	Non-Executive Director
Roland Sleeman	Independent Non-Executive Director
Eytan Uliel	Independent Non-Executive Director
William (Bill) Stubbs	Non-Executive Director (retired 27 November 2018)
Karl Schlobohm	Alternate Director for William (Bill) Stubbs (appointed 5 September 2018, resigned 17 November 2018)

Stock exchange listing
ASX (ticker code AJQ)

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Chairman's report

Dear Shareholders,

The past 12 months have seen Armour continue to consolidate its position as a consistent producer of oil and gas via its Kincora Project near Roma in the Surat Basin, Queensland. This is a pleasing result notwithstanding some of the operational, plant and production well challenges faced by the Company during the year.

Given the favourable state of the Australian domestic east coast gas market, Armour's short-term plans continue to focus on the increase in its field and plant production capacity to meet current and forecast market demands. The Company is aiming to do this by drilling two (2) further production wells in the next 3 months and continuing to refine and iteratively upgrade the Kincora Gas Plant.

The continued analytical efforts of Armour's technical team have resulted in the Company having a myriad of oil and gas exploration and development opportunities within the Kincora project area which it intends to pursue over the short, medium and longer terms. Further, as a result of Armour successfully being awarded additional tenure via the Queensland Government tender process aimed at improving or fast-tracking the supply of gas to the domestic market, the Company's tenure footprint at Kincora has increased from 2,301 sqkms to 3,484 sqkms over the past 12 months, representing an increase of 51%. The exploration opportunities within these new tenement areas are currently being analysed and preliminary activities have already begun and a fuller work program will extend over the next 12-24 months. As previously communicated, Armour continues to prepare a range of operational plans and budgets to re-work and re-perforate existing production wells acquired as part of the Kincora Project package.

Armour has also extended its footprint into its first CSG block with the addition of a 10% interest in the ATP2046 in a Joint Venture with APLNG. This was a highly sought-after block and will provide Armour with not only diversification of its portfolio but also a second income stream, with production planned for mid-2021.

With the removal last year of the temporary ban on fracture stimulations by the Northern Territory Government, the Company was successful in seeking expenditure concessions and time extensions for its NT tenure position. Together with the adjoining northern Queensland tenements, the Company has an enviable north Australian acreage position which already contains estimated prospective resources and drill-ready targets. Armour's McArthur Basin project area represents the largest and most important part of the Northern, Central and Southern McArthur Basin where the thickest and most oil and gas prone sections of the McArthur and Tawallah groups are present. The Jemena constructed Northern Gas Pipeline is a significant enabler for Armour's upstream gas projects in the Northern Territory. It is expected to provide additional and large-scale market access for the gas resources identified by Armour and other explorers in the Northern Territory by connecting this new petroleum province to the growing east coast gas markets.

This year, for the first time, Armour's Annual Report specifically addresses the potential risks facing the Company in connection with climate change and / or carbon emission related initiatives. Whilst Armour is currently only responsible for a very minor proportion of the gas produced in Queensland, it recognizes the increasing level of investor and regulatory expectation that these matters be addressed and disclosed. The Company will continue to make further progress in this regard in future periods.

In July 2019, the Board reluctantly accepted the resignation of Roger Cressey as Chief Executive Officer of the Company. On behalf of the Board, I would like to thank Roger for his for his outstanding contribution to the Company during his eight (8) year tenure, particularly during the challenging period of re-establishing gas production and plant operations at the Kincora Project.

Lastly, I would like to take this opportunity to thank my fellow Board members and the Company's dedicated executive team for another year of hard work, and also the Company's shareholders and bondholders for their continued support and patience during this time. I look forward to further and material progress being made over the next 12 months.

Yours sincerely,

Nicholas Mather
Executive Chairman

Review of operations and activities
for the year ended 30 June 2019

EXECUTIVE SUMMARY

Armour Energy Limited (the **Company**) and its controlled entities (the **Group**) is focused on the exploration and production of gas and associated liquids resources.

The 2019 financial year has seen the Group achieve several of its planned strategic milestones as it continues its path to become one of the Bowen-Surat Basin's most prominent Oil and Gas producers. As well as completing its first full year of Operations at Kincora, the Group drilled its first tight gas development wells at Kincora, being Myall Creek 4A and Myall Creek 5A. Kincora Gas Plant has been fully operational for the year with 91% operational time achieved. The Kincora wells have been producing steadily and delivered an average of approximately 9TJ/day of sales gas plus associated liquids, with a peak sales gas production rate of approximately 12 TJ/day in January 2019.

The year also saw the Group increase its acreage position. On the Roma Shelf in the later part of 2018 the Group added ATPs 2032, 2030, 2041, 2034 and 2035. These exploration blocks further The Group's position regarding the multi-TCF deep Permian and Triassic oil and light gas plays along the eastern Roma Shelf. Additionally, the Group further diversified its portfolio with the addition of a 10% interest (APLNG 90% and Operator) in a CSG block (ATP2046) in the proven and highly sought after Talinga Field.

Given the Group's extensive surface and sub-surface assets, the Group is well positioned to bring significant new gas volumes to market. The Company considers this view to be shared by Government, as demonstrated through the Federal Government's Gas Acceleration Program grant award with payment of $5.4 million towards the Group's drilling program, and the State Government's granting of the above-mentioned exploration acreage in the Bowen-Surat Basin.

The Group is a growing and successful domestic energy producer. In addition to the 9 TJ/d currently being produced from the Group's Kincora Project and delivered to Wallumbilla and the East Coast domestic gas market, the Group is also producing approximately 170 barrels of oil and condensate per day, and approximately 14 tons per day of Liquid Petroleum Gas (**LPG**). Oil and condensate is sold ex-Kincora and transported to local Queensland refineries. LPG is also sold at the Kincora Gas Plant and on-sold mostly in Queensland and in New South Wales and South Australia, providing energy for transport, heating and agricultural enterprises.

The Group expects to continue to achieve more milestones with our 2019 drilling and workovers program due to kick off in September 2019. As the Group delivers this program and plans its 2020 work program, it will continue to mature phases 3 and 4 of the growth strategy.

KEY ACHIEVEMENTS

SURAT BASIN – KINCORA

- Kincora Project – Annual revenue increased to $27.8m, an increase of 88% from $14.75m in the previous financial year.
- Kincora Project – Phase 1 and 2 of the Group's growth plan have been successfully completed, with phase 3 progressing and with plans to complete by the end of 2020.
- Kincora Project – An increase of approximately 100% in 2P Reserves, from 61.7 PJ to 123.6 PJ; 255,30 tonnes of liquid petroleum gas (LPG) and 1,228,670 barrels condensate.
- Kincora Gas Plant – the plant is now fully operational and processing approximately 9 TJ/day with a processing capacity of up to 20 TJ/day. Armour plans to investigate increasing the plant's capacity to 30 TJ/day in the mid-term.
- The Myall Creek 4A well – drilled, stimulated and connected to production for commercial sales, the initial flow rate was 1.7 MMCFD and is currently flowing 0.6 to 0.8 MMCFD.
- The Myall creek 5A well – drilled and connected to production for commercial sales from its secondary target which has proved to be gas prone and water wet. This secondary target will be isolated and plans to hydraulically stimulate the wells in its primary targets are completed and this work is expected to be implemented in Q4 2019.

SURAT BASIN – EXPLORATION

- Kincora Exploration awards during the period:
  - ATP2030 – comprises 365 square kilometres and is contiguous with Armour's petroleum license PL71 and also the Ungabilla block ATP2029
  - ATP2032 – comprises 318 square kilometres, is allocated as a domestic gas block, and is immediately adjacent to Armour's existing northern production licenses
  - ATP2041 – comprises 457 square kilometres, is allocated as a domestic gas block, it is immediately adjacent to Armour's existing production licence PL71 and also adjacent to recently granted Santos & Shell (50:50 JV) block
  - ATP2034 – comprises 30 square kilometres and is nearby Armour's existing production license PL71
  - ATP2035 – comprises 12 square kilometres and is nearby Armour's existing production license PL71
- ATP754 which was held in Joint Venture with Ausam (Bounty) has been split into two blocks, ATP2028 adjacent to PL71 now being 100% Armour, and ATP2029 remains a 50/50 JV tenement. In July 2019, Armour submitted PCA application over these tenements.
- The Group now holds in excess of 4,000 square kilometres of exploration tenements in the Bowen-Surat Basin.

EXPLORATION BLOCK – ATP2046

- The Armour Energy Limited Joint Venture with APLNG was awarded Australia's first tenure to be allocated to the supply of gas exclusively to Australian Manufacturers – ATP2046. Armour Energy holds a 10% JV interest in the tenure, with APLNG as Operator of the block. The block is strategically positioned in the Talinga Gas Field, 22km south of the town of Chinchilla and adjacent to the APLNG's Talinga Gas and Water Processing Facilities. It is expected that production from this highly sought-after tenure will likely commence in mid-2021.
- Early development and production opportunities providing diversity of production and 2nd revenue stream.

Review of operations and activities continued
for the year ended 30 June 2019

KEY ACHIEVEMENTS CONTINUED

UGANDA

- The Kanywataba oil exploration license was granted to Armour Energy Limited in September 2017. The block is located on the Albertine Graben at the southern end of Lake Albert and is considered highly prospective. Over 6.5 billion barrels of oil in place has been discovered in the Albertine Graben in Uganda.
- An arrangement between Armour Energy Ltd and DGR Global was implemented, with DGR taking a majority interest of 83.18% with an obligation of carrying the work program for the first two years.
- Activities for the first year of exploration under the license have been completed, including desk top hydrocarbon studies, purchase of previously gathered seismic data and reprocessing of same, plus soil sampling for geo-chemical analysis.
- Activities for the second year of exploration under the license are under way nearing completion and include just over 100 kms of 2D seismic.
- Application for renewal of the block was submitted when due in June 2019, and renewal is anticipated in early September that will provide a further 2 year exploration period in which it is planned that an oil well will be drilled subject to the outcome of the current 2D seismic program and funding.

CORPORATE

- Under the Gas Acceleration Program (**GAP**) funding agreement, Armour has received $5.4 million in funds from inception to 30 June 2019.
- Execution of a $6.8 million environmental bonding funding facility with Tribeca Global Natural Resources Credit Fund.
- A fully underwritten Accelerated non-renounceable Rights Issue raised $10.1 million in funds through the issue of 101 million new shares.
- Establishment of a $55 million corporate bond facility arranged by FIIG securities, used in part for early redemption of the existing convertible notes.

SUSTAINABILITY

SOCIAL AND CORPORATE RESPONSIBILITY

During the year, the Group invested in additional resources across multiple disciplines of Corporate, Subsurface and Geology, Operations, Land Access and Health and Safety. The Group now has 52 employees, of which 7 are women. The additional resources were required to support the Kincora Project and assist with achieving the milestones set out in the Group's growth strategy.

Where possible, the Group will recruit local businesses, contractors and employees that can support the Kincora Project. A strong presence in the Roma and Surat communities is a key focus for the Group, including fostering positive relationships with other key stakeholders such as land owners, governments and community groups.

HEALTH, SAFETY AND ENVIRONMENT

For the 2019 financial year, the Kincora Gas Project recorded 1 recordable incident and 1 prescribed incident. Armour Energy has not received any formal notices or penalties from regulatory authorities during the period but is still waiting for Regulator close out in regard to the prescribed incident (small uncontrolled gas leak).

Regulator Inspections of our Operating sites by the Department of Natural Resources, Mines and Energy (DNRME) has not determined any regulatory noncompliance and the Group continues to work with the regulators to meet its obligations.

As of June 2019, the company TRIFR (Total Reportable Incident Frequency Rate) was 11.9 with work continuing to return TRIFR to 0 by the end of 2019. A third-party audit of the Armour Energy HSEQMS (HSE Management System) for alignment to AS:4801 was completed with actions being progressed as part of continuous improvement.

The Group's operations are subject to environmental regulation under federal and state legislation. For the year ended 30 June 2019, the Kincora Project recorded one reportable environmental incident which has been closed out with no formal notices or penalties being received from a regulator in regard to Armour's activities. An inspection by the Department of Environment and Science returned no significant findings.

The Group has focused on improving environmental management across the Kincora Project through the continued improvement of our environmental management system in order to assure that the Group continues to meet all environmental obligations. Baseline environmental studies for groundwater and soil contamination have been completed with no significant impacts detected and air emission testing has demonstrated compliance with the Environmental Protection Policy Air (EPP Air) quality objectives.

Climate change disclosure

Armour recognises that the world is transitioning to a low-carbon future, and that climate change is an important political, social, environmental and commercial issue. In addition, the Company recognises the increasing level of investor and regulatory expectation that the particular risks faced by the Company – and its stance generally on climate change issues – will be addressed in this Annual Report.

Armour is well positioned to contribute to a lower-carbon future through the production and supply of natural gas. This stems from the fact that emissions from the combustion of natural gas per unit of energy produced are approximately 40% lower than coal. Furthermore, natural gas can significantly improve air quality in urban centres due to its comparative negligible particulate and Sulphur Oxide emissions, together with low Nitrogen Oxide emissions. Natural gas is also an advantageous fuel for baseload and supplemental power generation supporting the increasing renewables sector, as gas-fired generation can be triggered from zero to full production in minutes and is 50% less carbon-intensive than coal-fired generation.

Whilst gas is a complimentary, transitional fuel supporting intermittent renewable energy generation, it is also important to note that natural gas is also used as a feedstock for many other applications including heating in foundry's and furnaces, plastics and petrochemicals, fertilisers and food manufacturing for which there are limited other viable alternatives.

Armour is currently responsible for only <0.01% of the natural gas produced and sold in, and exported from, Queensland. However, the Company is committed to making a contribution to a lower-carbon future through the sale of its natural gas products (as above) as well as the reduction of its own carbon footprint.

Review of operations and activities continued
for the year ended 30 June 2019

SUSTAINABILITY CONTINUED

HEALTH, SAFETY AND ENVIRONMENT CONTINUED

Climate change disclosure continued

The vast majority of the Company's gas-related infrastructure components (gas plant, gas pipelines, well-heads, compressors, and associated field equipment) are essentially "legacy assets" acquired from Origin Energy as part of the overall acquisition of the Kincora Gas Project near Roma in Queensland, which was completed in 2016. Based on the operation and maintenance of these assets during its period of ownership, Armour has established the following initiatives to reduce emissions and environmental impact:

- reduction of "fugitive emissions" via leak management and preventative maintenance programs;
- optimisation of the plant to run more efficiently;
- replacement on a needs-basis of old items of plant and equipment with newer items which are less prone to gas leakage, breakdown and are more energy efficient;
- the development of the Kincora Stack Emission Monitoring Program to provide baseline air emission data for assessment against EPP Air regulatory emission framework. Results show that emissions are below the EPP Air Quality Objectives;
- a program of regular and risk-based inspection and maintenance tasks designed to mitigate leakage from all plant, equipment and infrastructure. This includes the implementation of a Pipeline Integrity Management System; and
- the responsible and progressive remediation of petroleum facilities that have reached the end of their lives to enable the return of land to the landholder in a condition which complies with all relevant environmental and regulatory requirements.

Furthermore, Armour minimises its impact on land and waterways in relation to development and exploration activities by undertaking the following:

- assessment of regional and local aquifers to characterise the geochemistry of formation water prior to and during initial stages of exploration and development activities;
- ongoing baseline monitoring of groundwater quality to detect any changes during and after the cessation of exploration and development lifecycles;
- assessment & survey of local ecological communities within and around our development, exploration and production tenements, and the implementation of innovative approaches to negate and reduce its footprint and avoid vegetation clearing; and
- staying educated on improved and innovative environmental technologies that could have the greatest potential for reducing overall energy consumption during the exploration and development lifecycles.

Notwithstanding the favourable landscape for the ongoing production and sale of natural gas as outlined above, Armour anticipates that its activities may be subject to increasing regulation and costs associated with climate change, and/or the management of carbon emissions. The Company is committed to understanding and managing the current and emerging regulatory, reputational and market-related risks of climate change to its operations. The Company's Executive Team and Audit & Risk Management Committee continue to undertake a detailed review of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) for any further or more detailed disclosures required for future reporting periods. However, the Company's view is that there are currently no climate change related risks which are material enough to warrant disclosure in the Company's current period Financial Statements. This includes the potential regulatory, transitional and physical risks associated with climate change.

The Company is also conscious that other social consensus-based issues connected with climate change and environmental stewardship may impact its operations and cost structures into the future.

These are dynamic issues which will need to be monitored and considered in the context of the Company's decisions regarding the use of its capital, the nature and longevity of certain assets and operations, the safety and security of its workforce, and the interests of its broader stakeholders and the communities in which it operates. At this stage, there have been no direct impacts on Armour's operations or assets connected to these issues, other than the gas and hydraulic fracturing moratoriums imposed by the Victorian and Northern Territory Governments.

No financial impacts have been recorded in the current period by Armour in relation to these initiatives as:

- the Company's project equity interests in the state of Victoria are currently carried at a nil value, having been written down in an earlier period; and
- the Government of the Northern Territory has now lifted its moratorium and granting the Company an extension of time for it to complete its exploration activities, together with reductions in its financial commitments related thereto.

Armour is committed to making further progress in relation to climate change disclosure and reporting in future periods, as well as the continued monitoring and improvement of operational issues connected with the issues highlighted above.

STRATEGY AND PROGRESSION

The Group has focused on a 4-Phase growth strategy centred around the Kincora Project on the Roma Shelf, and is working to deliver against the target milestones. To date, Phases 1 and 2 have been completed, with the current Phase 3 progressing, albeit slower than anticipated toward reaching our target of 20 TJ/d. The Group currently has gas production and sales of 9 TJ/ day from its existing wells and Newstead Gas Storage Facility. Gas sales are currently to Australia Pacific LNG under the Group's existing Gas Sales Agreements for gas volumes of up to 3.65PJ/a. With an existing agreement to access Run 2 on APA's Wallumbilla facility at up to 30 TJ/day, any new production as wells come onstream can be quickly commercialised. In addition to gas sales, the Group's production and sales of oil, condensate and LPG provides a revenue uplift of approximately 30% on gas sales.

The Group's 4-phase growth strategy is presented below. In summary it shows that Phases 1 and 2 have been completed, Phase 3 is the current focus being to increase production and revenues, and Phase 4 being future growth opportunities is currently being considered and planned. The current Phase 3 focus of increasing production involves drilling of new wells and looking to improve production from existing wells.

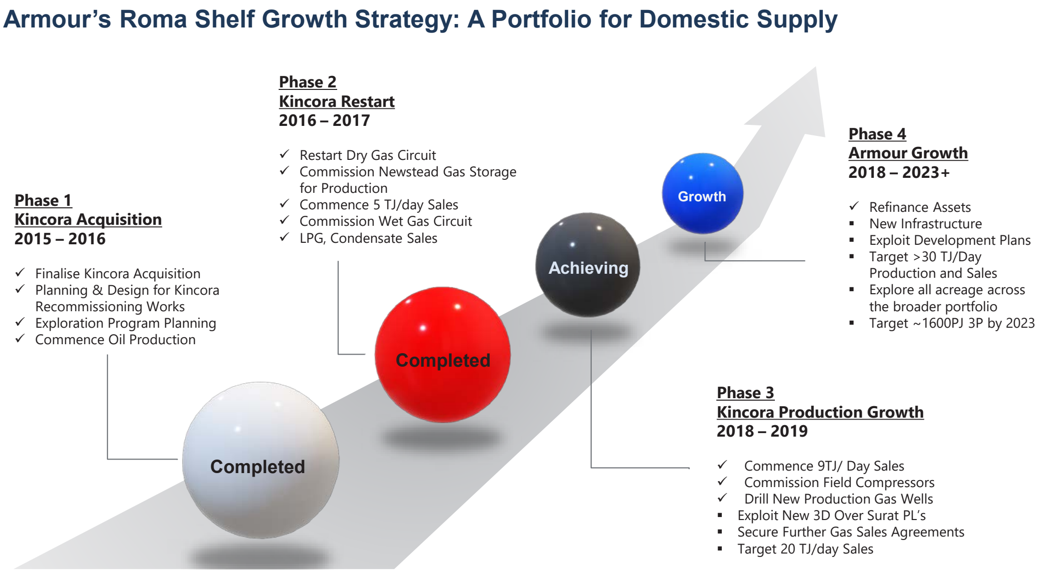


FIGURE 1
Armour's 4 Phases of Growth plan

Review of operations and activities continued
for the year ended 30 June 2019

STRATEGY AND PROGRESSION CONTINUED

The Myall Creek 4A well has been drilled and is flowing an average of 0.6 to 0.8 MMCFD. Myall Creek 5A well has been drilled and connected for commercial sales from its secondary target which has proved to be gas prone, but water wet. Plans to connect the well to its primary target via the most optimum completion method have been developed and this work is expected to be implemented in Q4 2019 or early Q1 2020. Elements of Phase 4 are being planned, specifically with respect to infrastructure development and production development across existing Petroleum Leases, and also exploration in Authorities to Prospect (ATPs) that include new high-resolution 3D seismic surveys.

Of benefit to the Group, the East Coast gas market currently has a shortage of supply and independent reviews forecast this shortage to continue. The Group aims to take advantage of this position and to achieve its goal of 20 TJ/day, in the near term.

According to the Australian Energy Market Operator (AEMO) – Gas Statement of Opportunities 2019, the Eastern Australia Gas Market (AEGM) is, based on current, industry supplied data, is tightening and will reach a shortage point at some time in 2023. This shortage is reported to be due to a reduction in Victoria's gas reserves, reducing the State's ability to export gas into New South Wales and South Australia.

This reduction in exports is forecast to put increasing pressure on Queensland to increase production, in line with the southern States demands from as soon as 2021. While Queensland producers have advised that drilling and production is increasing, production rates are remaining steady. To meet the requirements of the southern states, Queensland and Northern Territory production will need to increase by 17% beyond 2018 levels.

Beyond the predicted shortage generated from the ongoing increase in demand, and potential shortfall in supply, AEMO has also noted that there is a significant need to continue exploration activities requited to convert continent resources (2C) and Prospective resources (3C) to reserves. This will require an increase in exploration expenditure and funding. Again, the Group's exploration acreage associated with the Roma Shelf, North Queensland and Northern Australia will potentially have greater significance to the domestic market.

The Group's infrastructure is well located and accesses the Wallumbilla Hub. The Group can also trade its non-contracted gas on the South East Queensland Gas Supply Hub where there is an active market for daily, weekly and monthly quantities of gas.

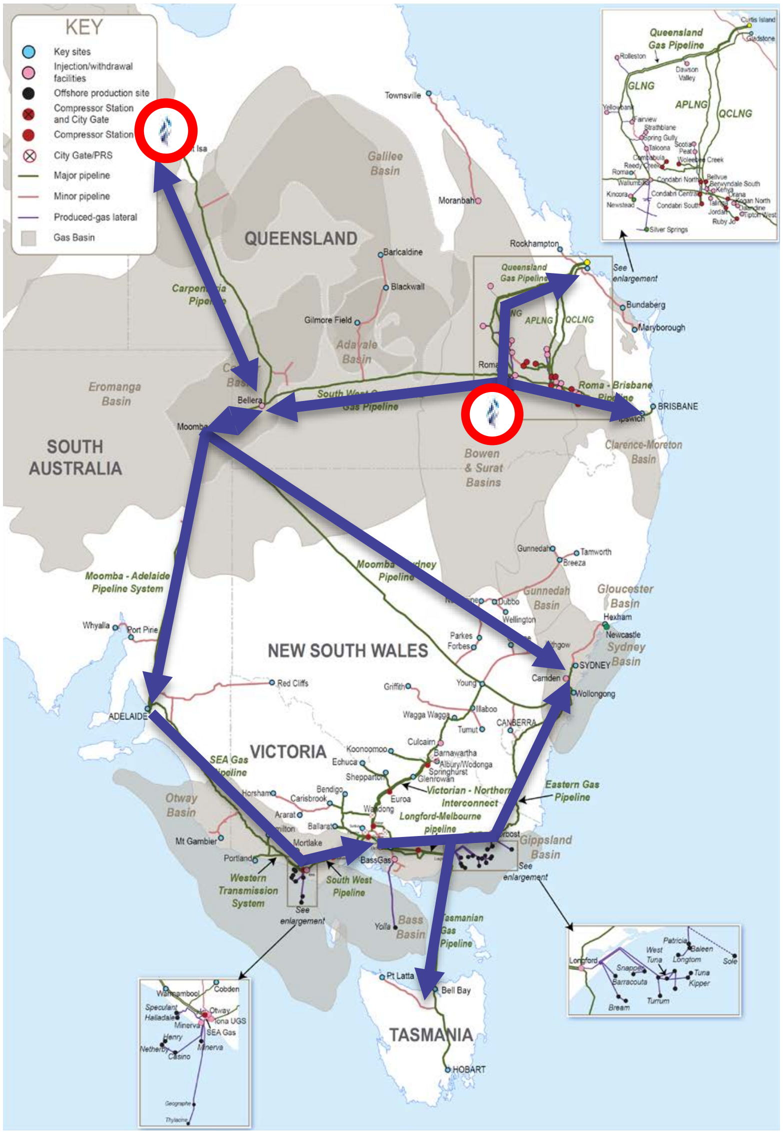


FIGURE 2
AEMO Statement of Opportunities – Gas Infrastructure Map

FINANCIAL PERFORMANCE

The 2019 financial year has been a step change for the Group with its first full year of operations at the Kincora Plant and this is reflected in a 88% increase in revenues from the sales of Gas, LPG and condensate from the Group's Kincora Gas Plant.

Gas sales from the Newstead Storage facility commenced in September 2017, and gas from field production from end December 2017. The Group has a four-phase strategy for growth, with the commencement of 9 TJ/day gas sales in phase 3 achieved in February 2018. Current gas production is predominantly from existing wells with liquid rich gas, therefore providing LPG and condensate by-products which are contributing strongly to sales revenue. Armour expects to continue our significant increase in revenues over the next financial year as we progress through phase 3 of our growth strategy and upcoming work programs.

The Group generated sales of $27.8 million during the year ended 30 June 2019, which represents an increase of $13.05 million from the prior year. A gross profit from operations of $8.8 million, up from $3.97 million in the previous year was achieved, which was offset by the main expenditure areas of general and admin, financing costs, and pre-production costs and income tax, giving a total loss after income tax for the Group of $11.7 million.

Review of operations and activities continued
for the year ended 30 June 2019

FINANCIAL PERFORMANCE CONTINUED

Sales Revenue ($MMs)	FY19	FY18	Change
Sales Gas (TJ)	$19.8	$11.1	↑ 78.4%
Condensate (Bbls)	$4.1	$1.4	↑ 192.9%
LPG (Tonnes)	$2.6	$1.3	↑ 100.0%
Oil (Bbls)	$1.3	$0.9	↑ 44.4%
Total Sales Revenue	$27.8	$14.8	↑ 87.8%

- Gas Production in FY 2018 began in September 2017 and reflects only 10 months of production.
- Condensate production began in March 2018 and reflects only 4 months of production.
- LPG production began in February 2018 and reflects 5 months of production.

The loss for the year includes the following significant items:

- Sales of gas, condensate, LPG and crude oil from the Kincora project.
- Cost of goods sold of $19.0 million represent Kincora operating costs.
- Financing costs of $13.6 million mainly represents interest expense, establishment costs of new facilities, and amortisation expense relating to convertible notes and loan facilities. In March 2019, Armour redeemed its convertible notes early which generated accounting adjustments in the P&L of $3.7 million.
- Other expenditure items are consistent in nature from the prior year and include employment expenses, legal, marketing, regulatory and compliance, and general administrative costs. General and administrative costs are higher than the previous year due to a growing workforce.

ASSETS

Total assets increased by $14.9 million from $101.5 million to $116.5 million, and include:

- cash and cash equivalents of $9.2 million;
- other current assets, including Receivables & Inventory of $5.1 million;
- financial assets comprising cash-backed security deposits and bank guarantees of $10.5 million;
- exploration assets of $49.3 million, which primarily consists of the Group's Northern Territory and North Queensland assets; and
- oil and gas assets of $42.3 million which comprise all the land, licences and physical assets within the Kincora Project.

LIABILITIES

Total liabilities increased by $15.2 million from $56.7 million to $71.8 million, and include:

- trade payables, leases and other miscellaneous of $4.5 million;
- corporate bond facility, Tribeca loan facility and lease liabilities, including accrued interest payable of $58.7 million;
- rehabilitation provision of $6.7 million and the present value of the deferred consideration payable to Origin Energy relating to the purchase of the Kincora Project of $1.9 million.

EQUITY

Total equity remained static at $44.8 million, and include:

- higher contributed equity of $10.1 million resulting from equity raisings during the period October to December 2018;
- lower reserves due to a number of changes, including the change in fair value of the Group's shareholding in Lakes Oil NL of $1.5 million (net of tax), and the reclassification of the convertible note reserve to accumulated losses, offset by new reserves relating to the Group's Tribeca loan facility; and
- increases in accumulated losses reported for the period.

CASHFLOW

The Group reported net cash outflow from operating activities of $1.0 million for the period. The Group expects to be in a positive operating cashflow position going forward, with gas sales expected to steadily increase from the current rate of 9 TJ/d toward our target of 20 TJ/d.

Cashflows from investing activities primarily represents payments for the Group's development wells at Myall Creek 4a and Myall Creek 5a. This expenditure was offset by the receipt of the Gas Acceleration Program grant funding from the Federal Government of $3.4 million (including GST).

Cashflows from financing activities relate to the receipt of funding under equity raisings and corporate bond facility / convertible note borrowings, offset by transaction costs and payment of convertible note interest. The Group has a $12.9 million increase in financing activities for the year, due primarily to the issue of the Corporate Bond Facility of $55 million and the repayment of the convertible notes of $43.4 million.

KINCORA PROJECT – FIRST FULL YEAR OF OPERATION

The Group has completed its full year of operations at Kincora. After five years in care and maintenance by Origin Energy as the previous operator, the Kincora Gas Plant was recommissioned by the Group during the 2018 financial year. This began with the dry gas circuit coming into production with gas from the Newstead storage facility in September 2017, and the wet gas circuit or LPG circuit operational at the end of December 2017. Since then, the Group has been focused on increasing production and in February 2019 achieved a daily production of 13 TJ/day. The Group's aim is still to produce up to 20 TJ/d, but this now anticipated to be in 2020, as opposed to 2019 as originally envisaged, and will come from increased production through drilling new wells and potentially increased production from existing wells following workovers.

Importantly, the Group is well positioned in relation to South East Queensland market and has existing production and pipeline infrastructure in place. Future production wells strategically drilled close to existing in-field infrastructure can be rapidly connected into the east coast pipeline network, which is a big positive for the Company and all stakeholders, including investors and shareholders.

During the period the Group drilled 2 development wells, being Myall Creek 4a and Myall Creek 5a. The results of these are noted over the page.

Review of operations and activities continued
for the year ended 30 June 2019

KINCORA PROJECT – FIRST FULL YEAR OF OPERATION CONTINUED

Production and Revenues from the field production of gas and associated liquids has been increasing year on year and the production of all gas, associated liquids and oil has increased. The Kincora Gas Plant has been fully operational for the year with 91.6% availability.

Production Rates	FY19	FY18	Change
Sales Gas (TJ)	3,267	1,928	⬆ 69.4%
Condensate (Bbls)	42,163	16,106	⬆ 161.8%
LPG (Tonnes)	4,475	2,262	⬆ 97.8%
Oil (Bbls)	14,072	8,358	⬆ 68.4%

- Gas Production in FY 2018 began in September 2017 and reflects only 10 months of production.
- Condensate production began in January 2018 and reflects only 6 months of production.
- LPG production began in January 2018 and reflects 6 months of production.

Gas production has been consistent over the period with a peak of 12 TJ/day in January. Work is ongoing to increase production toward our strategic targets.

DEVELOPMENT WELLS

MYALL CREEK 4A WELL (100% OWNED, PL511)

The Group's first production well in the Kincora Field Development Program was the Myall Creek 4A (MC4A) well which has been located and designed on the basis of the Myall Creek 3D survey, historical well data, the application of modern extraction techniques, deep (>1800m) tight gas sandstone geology in a liquid rich trend and proximity to existing infrastructure.

The MC4A was successfully drilled in June 2018 and penetrated through the regional Triassic aged Snake Creek Shale seal into the prognosed 300m gross Triassic and Permian gas charged window at 1848m depth. Significant quantities of hydrocarbons were subsequently recorded between 1848m and the top of the Basement at 2148m.

The regionally productive Triassic Sandstones, Showgrounds Sandstone and Rewan Formation, had gas shows of 4% to 60%, and the targeted Permian Tinowon and Wallabella sandstones had gas shows of up to 100%. Gas chromatograph readings recorded a liquid (condensate and LPG) rich gas composition.

In August 2018, the Group successfully completed the multi-stage hydraulic stimulation program on the well within the highly prospective sandstone intervals of the Permian and Triassic formations below 1850m. The aim of this extraction program was to enable commingled production from stacked hydrocarbon saturated Triassic and Permian sandstones.

Instantaneous gas rates varied between approximately 0.6 MMCFD and 1.7 MMCFD on various choke settings during flow back/ slugging through 4-1/2-inch casing.

In mid-September 2018 a static gradient survey was taken in the wellbore and recorded bottom-hole pressures consistent with over-pressured virgin reservoir conditions. Bottom-hole flowing pressures from the unconventional tight gas sands to the wellbore through the application hydraulic stimulations are under analysis. Additional data from actual sales production is needed to characterize the effectiveness of well flow performance versus hydraulic stimulation design.

MC4A was brought online in October 2018. During May 2019 a workover was undertaken to isolate formation fluids from entering the well and to improve the production performance. This involved the installation of packers and sliding sleeves to allow for selective access to the most productive zones in this well. Immediately following the workover, the well was returned to production and delivered a stabilised rate of 500,000 Mscf/d from two of the productive zones, being the Black Alley and the Tinowon B. Production is currently 0.6 MMCFS to 0.8 MMCFD. Further testing is planned from the remaining zones which could increase production and sales from this well. Subsequent plant operational issues have delayed the testing of the production zones which is now planned to occur in late Q3 / early Q4.

MYALL CREEK 5A WELL (100% OWNED, PL511)

The Easternwell Rig 101 commenced drilling on 1 November 2018 and well was planned to be drilled to a total vertical depth of 2,355m. During drilling, a section of the drill collars above the jars in the bottom hole assembly (**BHA**) became stuck due to differential sticking and caused drilling to stop. Operations to retrieve the BHA were not successful. The well was fully cemented back to the 9-5/8" casing shoe, and a side-track drilling operation executed.

The well was successfully drilled through the production zone to 2244.5m depth. During drilling of the production zone, good shows of gas were observed through the over pressured Permian sandstones. Based on mudlog data, pressure data and wirelines logs the reservoir production zone is proved to be saturated with liquid rich hydrocarbons. The initial results from the logging of the Myall Creek 5A (**MC5A**) well indicated that hydrocarbons were present in the Triassic Rewan Basal Sandstones a secondary target and the prolific Permian Tinowon Sandstones.

Armour connected MC5A into the Kincora gas pipeline network and tested the Basal Rewan formation to determine if the zone was commercial. The Basal Rewan sand is a secondary target and only one of four gas production targets identified in this well. The primary targets being the Black Alley and Tinowon Formations. The assessment of the Basal Rewan zone, post perforation, confirmed Armour's initial geological prognosis of good porosity and excellent permeability, with an initial short-term flow rate of 2 million standard cubic feet per day (2MMscf/d) from the Basal Rewan. However, this production was not sustained due to formation water production and the well was subsequently shut in.

Armour has since developed a design for hydraulic stimulation of the primary targets for this well, being the regional tight gas formations within the Black Alley and Tinowon Formations. Both the Upper and Lower Tinowon Formations are virgin over-pressured, with low to moderate permeability, and are known hydrocarbon bearing formations. Stimulation is targeting an increase the total hydrocarbon recovery from the well. The stimulation of the primary target zones is planned to be carried out in Q4 2019.

Review of operations and activities continued
for the year ended 30 June 2019

KINCORA EXPLORATION – EXPANDING FOOTPRINT IN KEY AREA

Since the Group's acquisition of the Kincora Project from Origin in 2015/2016, it continues to review, develop detailed databases and models from the significant volumes of subsurface information and building on new knowledge regarding the prospectivity across the Roma Shelf region, including the eastern flank of the current tenure held at the time of the acquisition. As a result of these studies, Armour issued expressions of interest to the Queensland Government seeking release of acreage for further exploration.

As a result, over the last 12 months the Group has been successful in expanding its footprint on the Roma Shelf in the Bowen-Surat Basin. The Group sees this acreage as instrumental in the fulfilling the company's objectives and will support ongoing exploration and development of the petroleum resources of this area within the Bowen-Surat Basin.

Armour was notified by the Queensland Department of Natural Resources, Mines and Energy that it is the preferred tenderer for Area PLR201718-2-4. This area is considered highly prospective for gas and liquids, and Armour's 100% owned gas pipeline infrastructure – Pipeline License No. 20 (PPL 20) traverses the newly awarded exploration block.

The award of the tenure adds to the Company's commitment to the further development of oil, gas and liquids from the Roma Shelf, supported by ongoing strong demand for gas in the East Coast Energy Market.

Armour was also awarded the Authority to Prospect No. 2032 (ATP2032). The Company has been notified by the Queensland Department of Natural Resources and Mines that it now holds 100% of ATP2032 which is located immediately to the north of Armour's PL22 and within proximity to the Kincora Gas Plant.

The Authority to Prospect 2032 covers 318 square kilometres or 105 sub-blocks over the prospective Bowen-Surat Basin. The ATP was awarded with the condition that gas produced will be for supply to the Australian domestic market only, which aligns with Armour's current production from the Kincora Gas Plant into the Roma to Brisbane Gas Pipeline.

ATP2032 is immediately adjacent to Armour's existing production licences and associated infrastructure, meaning that any commercial discovery within the tenure could be readily connected to Armour's Kincora Gas Plant and thus to into Queensland's domestic market.

Additionally, the Group was notified by the Queensland Department of Natural Resources, Mines and Energy this it has been formally awarded the exploration acreage ATP2030 to Armour Energy.

The tender area comprises 365 square kilometres and is contiguous with Armour's petroleum licenses and the Ungabilla block on ATP2029 (refer map per Figure 4).

ATP2030 connects Armour's PL71 and ATP2029 creating a significant acreage position incorporating an immense volume of over-pressured, continuous hydrocarbon-saturated tight Triassic and Permian reservoir section that is being developed by Armour (Figure 6). This commercial play type is deep, detectable and in recent years Armour has been the only company to have issued expressions-of-interest to the Queensland Department of Natural Resources based upon the technical capabilities and correct operational approach to develop the resources in conjunction with the Kincora Gas Plant.

KINCORA DEEP GAS PLAY

Historically Bowen-Surat Basin operators have relied solely on structural/stratigraphic conventional production; circa 1500m to 2100m depth ranges. Exploitation of these conventional gas and oil traps over the past 50-years have identified a significant underexploited tight gas resource window down-dip of the mature commercial fields that are sourced from the deep Taroom Trough. Connected directly up-dip (and down-dip of the mature fields) to the Taroom Trough source rock kitchen, is an immense wedge of hydrocarbon saturated over-pressured continuous Triassic- Permian tight gas play and located beneath portions of Armours 100% operated Bowen-Surat acreage along the western flank of the Roma Shelf (per Figure 3).

This commercially detectable liquid-rich underexploited regional gas play has only recently been discovered through the utilization of 3D seismic technologies and hydrocarbon stimulation results from Armour's commingled Myall Creek 4A and 5A wells drilled in 2018. Recently acquired Authorities-to-Prospect (ATPs) granted by the Queensland government, circa 2017, 2018 and 2019, and certain existing acreage are being brought forward for new high resolution 3D seismic surveys that will commence in Q2-Q3 2020.

In 2019 Santos & Shell formed a JV and was awarded an ATP that immediately offsets Armour's Myall Creek Field. This JV seeks to exploit and mirror Armour's commercial tight sandstone gas play and Black Alley Shale play success discovered at Myall Creek in 2018.

Armour has significant acreage running room to exploit this play at depths that are achievable with in-country mechanical equipment and contractors; circa 2100m to 4000m. This new regional play currently has an area estimated at approximately 10,000km^2. Hydrocarbons can be immediately tied into existing infrastructure and sales through the Kincora Gas Plant. Growth potential of this play could underpin the next volumes of LNG spec-gas and domestic supply. Coupled with reported existing reserves and resources, this new play could fuel Armour's future growth and reserve replacement for several decades. Armour is seeking farm-in partners and in discussions with Major Australian operators to advance this potential multi-TCF play.

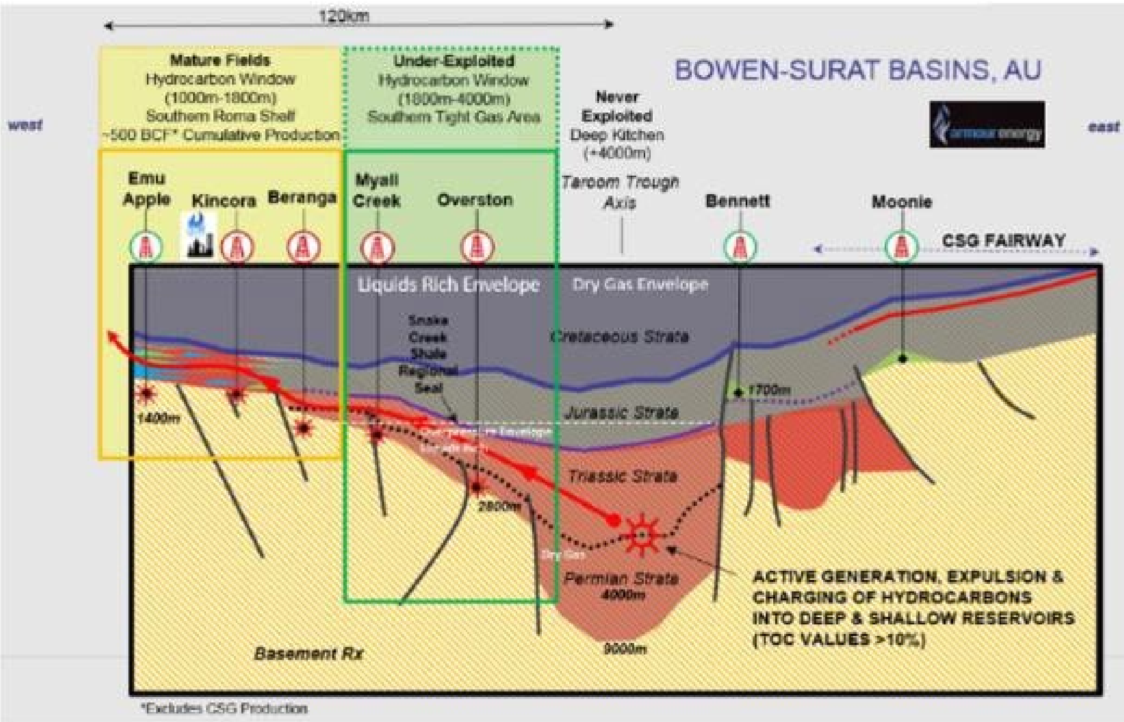


FIGURE 3
West-East diagrammatic cross-section of Bowen-Surat Basin across Armour Energy's regional acreage position

Review of operations and activities continued
for the year ended 30 June 2019

KINCORA EXPLORATION – EXPANDING FOOTPRINT IN KEY AREA CONTINUED

KINCORA DEEP GAS PLAY CONTINUED

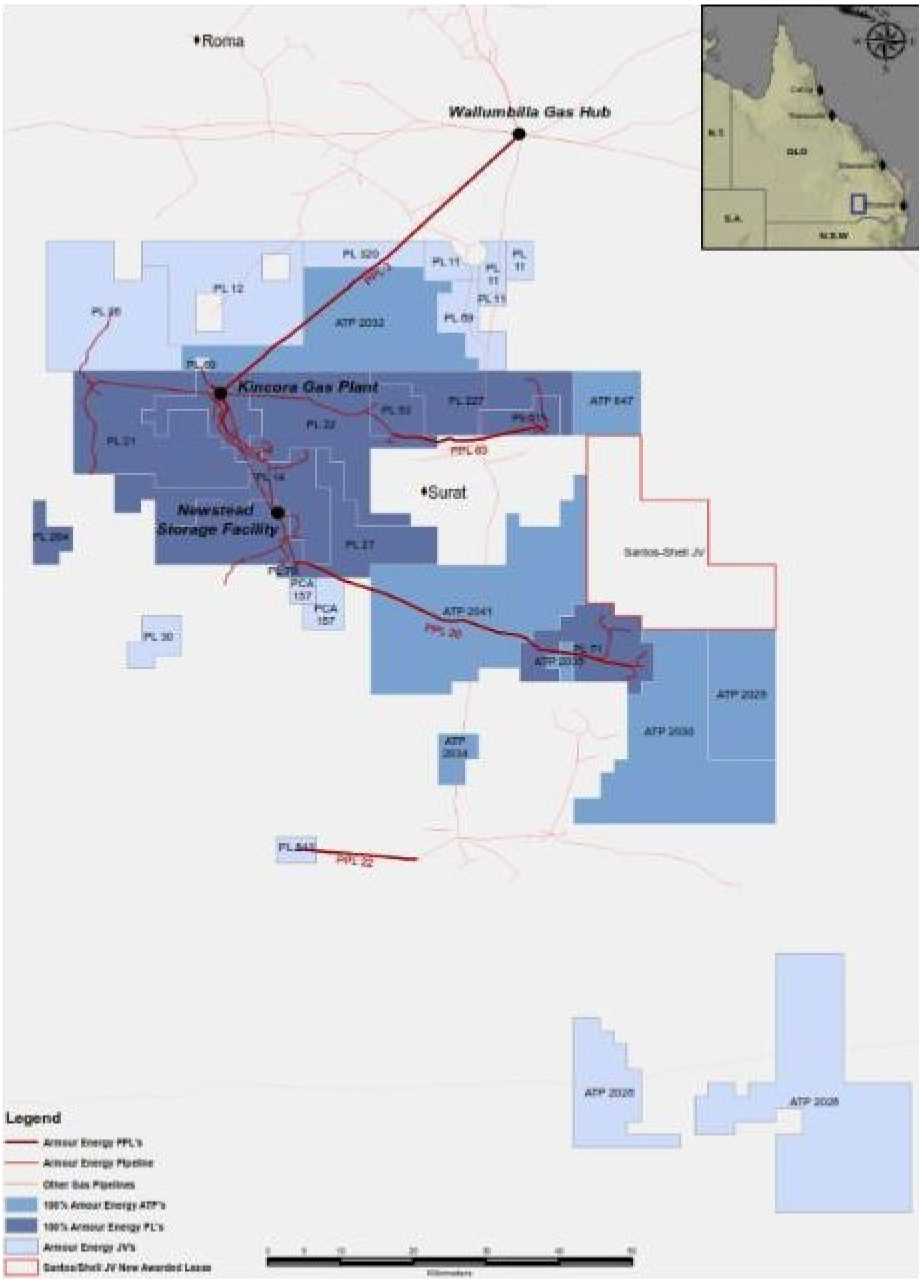


FIGURE 4
Map showing Armour's Roma Shelf, Surat Basin leases including new awards in the financial year.

KINCORA RESERVES AND RESOURCES UPGRADE

During 2018 Armour continued work on the geological and engineering studies across the Kincora Project as well as the drilling of additional wells in Myall Creek and restarting production in the Parknook area. The results of these studies, new wells and the restarting additional existing wells have contributed to an independently assessed and verified 2P reserves increase of 56% since Armour's last reported reserves increase on 30 October 2018.

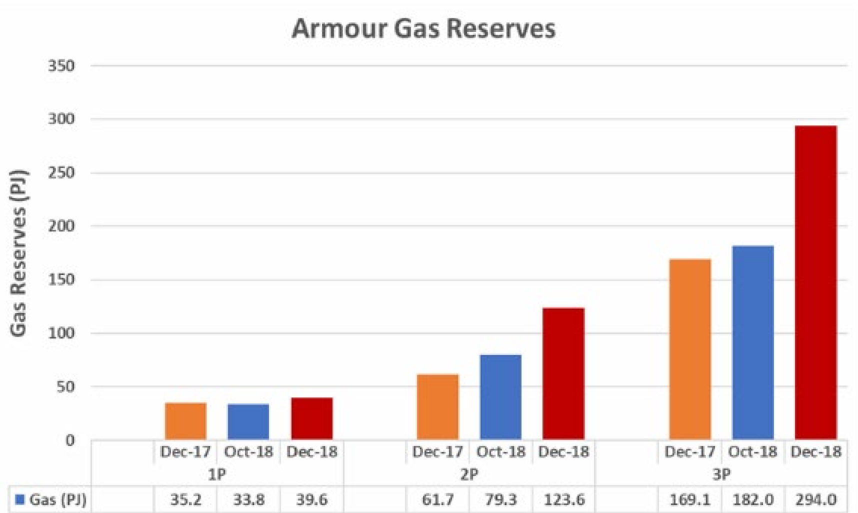
These reserves have been evaluated in accordance with the Society of Petroleum Engineers – Petroleum Resource Management System (**SPE-PRMS**) guidelines and are shown as follows in **Table 1**.

Total Reserves Myall Creek[1]	1P	2P (1P+2P)	3P (1P+2P+3P)
Estimated Total Gas (BCF)	34.8	108.7	258.5
Estimated Total Gas (PJ)	39.6	123.6	294.0
LPG (C3 C4) Yield (Tonne)	81,770	255,303	607,019
Condensate (C5) Yield (Bbl)	393,524	1,228,670	2,921,336

TABLE 1
Armour Energy reserves as per 31 December 2018

Notes:

- Petroleum reserves are classified according to SPE-PRMS.
- Petroleum reserves are stated on risked net basis with historical production removed.
- All reserves are listed 100% Armour (reserves exclude Waldegrave JV area).
- Petroleum Reserves have no deduction applied for gas used to run the process plant estimated at 7%.
- BSCF = billion cubic feet, PJ = petajoules, bbls = barrels, gas conversion 1.137 PJ/BCF.
- 1P = Total Proved; 2P = Total Proved + Probable; 3P = Total Proved + Probable + Possible.
- LPG Yield 2065 tonnes/petajoule, Condensate Yield 9938 barrels/petajoule.



GRAPH 1
Armour Energy gas reserves growth as per 31 December 2018

This latest reserves upgrade increases the full year (Dec 17 to Dec 18) 2P gas reserves by 100% confirming the ongoing and increased viability of the Kincora Project. This is further supported by recent announcements noting that:

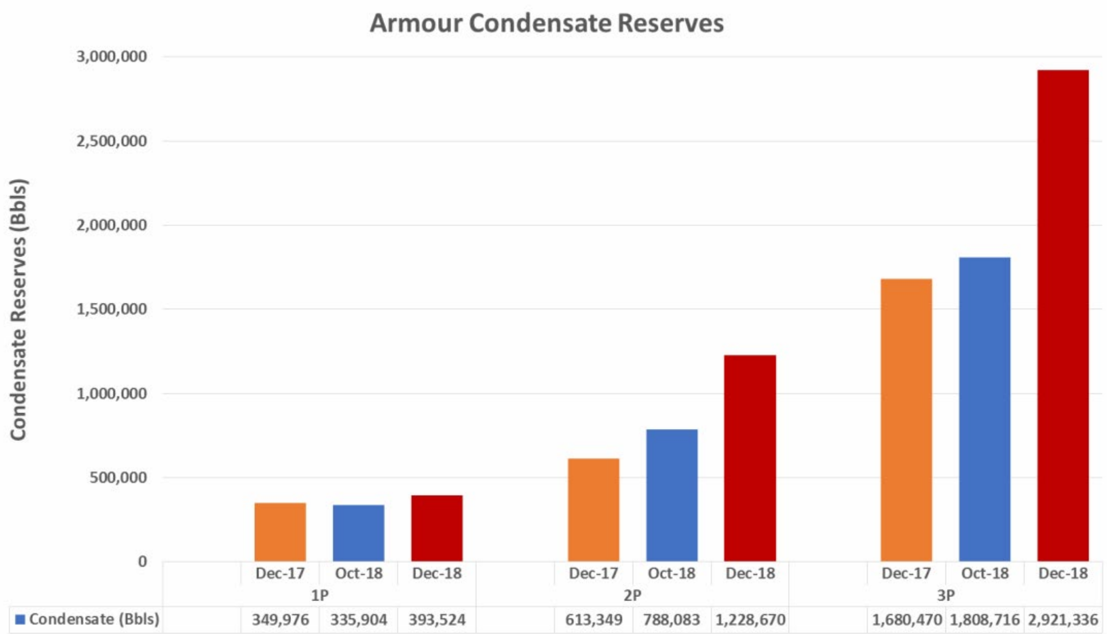
- Armour has progressed to firm contracted gas supply with Australia Pacific LNG (APLNG) from its Kincora Gas Project (ASX announcement 6 Dec 18);
- formal award of additional petroleum acreage near Armour's Kincora production facilities, as part of its Roma Shelf project (ASX announcement 21 Dec 18); and
- Armour commences sales to the Queensland spot gas market (ASX announcement 21 Jan 19).

This latest reserves upgrade confirms Armour's position as having significant uncontracted gas that will support the Company's production growth during 2019 to our targeted 20 TJ/d and well into the future.

Review of operations and activities continued
for the year ended 30 June 2019

KINCORA RESERVES AND RESOURCES UPGRADE CONTINUED

The Company also notes that revenues from liquids sales provide an uplift of approximately 25% on top of gas sales. This latest reserves upgrade also notes an increase in 2P condensate reserves of 100% over the year Dec 17 to Dec 18, as shown in the following graph.



GRAPH 1
Armour Energy condensate reserves growth as per 31 December 2018

Additionally, the Group's independent expert, SRK Consulting (Australasia) Pty Ltd, has estimated 5.1 PJs 2C, 18.6 PJs 3C and Best Estimate 40 PJs Prospective Resources* in the overlying Triassic Rewan Formation in the Myall Creek Field.

As part of the Myall Creek drilling campaign, new wells will be completed for production from both the Permian Tinowon and overlying Triassic Rewan Formation, as these formations appear to represent one continuous 300m saturated hydrocarbon interval beneath the regional Snake Creek Shale seal. The Rewan Formation 2C and 3C Contingent and Best Estimate Prospective Resources are categorized primarily due to a lack of connected wells to compression in the field, historical poor well design and historical production techniques. Currently, the Rewan Formation is completed open-hole in the Company's Horseshoe-3 and connected to sales in the Myall Creek Field.

The recommended well program in the Myall Creek Field may include the Triassic Rewan in the hydraulic completion strategy with the Permian Upper and Lower Tinowon, where applicable. Any testing, completions and flows of hydrocarbons would move the current Rewan Contingent Resources to a 1P-2P-3P Reserves, Prospective Resources to a Contingent status and sustainably update the Reserves and Resources in the Myall Creek Field.

* The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) related to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

The Group's independent resource auditor SRK supports the proposed stimulation and completion programs over the Rewan and Tinowon Formation sandstones and believes the Group's operations are aligned to achieve good individual well production rates over the longer-term life of the field. SRK recommended testing and completion of the Rewan Formation to progress the Resources to Reserves subject to economic production being achieved. Upon success of flowing hydrocarbons from the Rewan Formation, SRK will consider this reservoir more generally aligned with similar locations within the Myall Creek 3D area and that using the current well design the Rewan Formation should be added into the Myall Creek Field Development Plan.

TECHNICAL STATEMENT – PETROLEUM RESERVES

The Group's reported Bowen-Surat Basin Reserves in February 2019 which documents total petroleum net Reserves classified in accordance with SPE-PRMS guidelines and ASX listing rules.

The independently verified Reserves Update Report compiled by SRK Consulting (Australasia) Pty Ltd details a high degree of confidence in the commercial producibility of Permian, Triassic and Jurassic aged reservoirs previously discovered and produced in operated granted petroleum licenses using 2D-3D seismic, historic and modern well data, reservoir pressure data, electric logs and rock properties from chip & core samples, gas composition analysis, hydraulic stimulation results, analysis of historical well production, decline curve analysis, offset field production data and prior production data from wells before the Kincora Gas Plant was shut-in by the previous operator, Origin Energy. The reported Reserves are used in connection with estimates of commercially recoverable quantities of petroleum only and in the most specific category that reflects an objective degree of uncertainty in the estimated quantities of recoverable petroleum. The Petroleum Reserves are reported net of fuel and net to the Group to the APA Group metered sales connection to the Roma to Brisbane Pipeline (Run 2) at Wallumbilla and the report discloses the portion of petroleum Reserves that will be consumed as fuel in production and lease plant operations. The Group will be using calibrated metering and gas chromatographs at the Kincora Gas Plant as a reference point for the purpose of measuring and assessing the estimated petroleum Reserves from the produced gas.

The economic assumptions used to calculate the estimates of Petroleum Reserves are commercially sensitive to the Kincora Project. The methodology used to determine the economic assumptions are based upon strategic objectives that include, but not limited to, new drills, workovers, recompletes and surface facility modifications to ramp up to and maintain a 20 TJ/day production profile for 15 years. The sanctioned development model includes a starting and ending monthly schedule of working/net interest capital expenditure to develop and maintain the petroleum Reserves, operational expenditure to develop and produce the Petroleum Reserves, fixed Petroleum Reserve prices under-contract and escalated Petroleum Reserve futures based upon Wallumbilla Hub prices, tax/royalty sensitivities, revenue from gross and net petroleum production yields and cash flow from petroleum production yields and summation of discounted cash flows.

Review of operations and activities continued
for the year ended 30 June 2019

KINCORA RESERVES AND RESOURCES UPGRADE CONTINUED

TECHNICAL STATEMENT – PETROLEUM RESERVES CONTINUED

The Petroleum Reserves are located on granted petroleum licenses with approved environmental authorities and financial assurances. The Group has a social license to operate and relevant surface access agreements are in-place. The Group is the owner and operator of the Kincora Project and PPL3 sales gas pipeline which connects the Kincora Gas Plant to the Wallumbilla gas hub via the connection agreement with APA. The Group holds granted Petroleum Licenses over the reported estimates of Petroleum Reserves, associated gathering and field compressors. The basis for confirming the commercial producibility and booking of the estimated petroleum Reserves is supported by actual historic production & sales and/or formation tests. The analytical procedures used to estimate the petroleum reserves were decline-curve analysis to 50 thousand cubic-feet-day, historic production data and relevant subsurface data including, formation tests, 2D-3D seismic surveys, well logs and core analysis that indicate significant extractable petroleum.

The proposed extraction method of the estimated Petroleum Reserves will be through approved conventional drilling and, where applicable, hydraulic stimulation techniques to accelerate production, commingle the productive zones and extract volumes from tight gas zones. Wellbores will be cased and cemented with a high-pressure wellhead completion. Petroleum will be recovered through 2-3/8” production tubing and gathered to field compression sites for delivery to the Kincora Gas Plant.

Petroleum Leases	Main Fields/Site Name	Group Working Interest (%)	JV Partner Working Interest (%)
PLs 21, 22, 27	Kincora Project Area	100%	
PL 264	Emu Apple Oil	100%	
ATP 647	Myall Creek East	100%	
PLs 14, 53, 70	Kincora Project Area	100%	
PL 227	Horseshoe	100%	
PL 511	Myall Creek	100%	
PL 71P	Parknook (Production)	100%	
PL 71E	Parknook (Exploration)	100%	
ATP 754	ATP 754	50%	Bounty - 50%
PL 30	Riverslea	90%	AGL - 10%
PL 512	Major Field	84%	AGL - 16%
PCA(A) 157	Weribone Pooling Area	50.64%	AGL - 28.71% Senex - 20.65%
PCA(A) 157	Bainbilla Pooling Area	24.75%	AGL - 75.25%
PLs 10W, 11W, 12W, 28, 69, 89, 320W, 321	Waldegrave	46.25%	Southernpec - 53.75%
PL 11 SC East Exclusion Zone	Snake Creek	25%	Southernpec - 75%

TABLE 2
Kincora Project petroleum tenures

TECHNICAL STATEMENT – CONTINGENT RESOURCES

Triassic Rewan Formation Contingent Resources in the Myall Creek Field

The Group engaged the services of SRK Consulting (Australasia) Pty Ltd to provide independent expert reports on the operated Resources and Prospective Resources associated within the Company's 100% working interest petroleum licenses PL 227 and PL 511 (Myall Creek 3D area) in the Kincora Project reported on 14 May 2018, (**Table 3**). These Contingent Resources are in addition to the Myall Creek Reserves.

Resources Rewan Formation, Myall Creek Field[4]	1C	2C	3C
Estimated Net Total Gas (BCF)	1.3	4.8	17.6
Estimated Net Total Gas (PJ)	1.4	5.1	18.6
LPG Yield (Tonne)	2,832	10,457	38,343
Condensate Yield (BBL)	13,630	50,326	184,529

TABLE 3
Bowen-Surat estimated net aggregated quantities of Contingent Resources

Notes:

1. Contingent Resources are classified according to SPE-PRMS.
2. Contingent Resources are stated on a risked net basis with historical production removed.
3. Contingent Resources are stated inclusive of previous reported estimates.
4. Petroleum Reserves have no shrinkage applied, estimated to be 5%.
5. BCF = billion cubic feet, LPG = liquefied petroleum gas, PJ = petajoules, kbbl = thousand barrels, kTonne = thousand tonnes; Conversion 1.055 PJ/BCF.
6. 1C = Total Proved; 2C = Total Proved + Probable; 3C = Total Proved + Probable + Possible.
7. LPG Yield 2065 tonnes/petajoules, Condensate Yield 9938 barrels/petajoules.

ATP2046

Armour announced earlier in the year that the Queensland Department of Natural Resources, Mines and Energy (**DNRME**) had awarded Authority to Prospect – ATP2046 to a Joint Venture between Armour Energy Limited (10%) and Australia Pacific LNG Pty Ltd (**APLNG**) (90% and Operator) – see **Figure 5** over the page. APLNG is a Joint venture between Origin, Conoco Philips & Sinopec.

ATP2046 is an 18km^2 coal seam exploration tenure located 22km south-west of Chinchilla and adjoins APLNG's Talinga Project. The block was part of the first national tender where gas has been designated to be supplied exclusively to a manufacturer, an initiative by the Queensland Government. This block is understood to have been highly contested due to high production rates from the blocks surrounding it. The APLNG/Armour JV anticipates first production to be achieved around mid-2021.

Under the Joint Venture, Armour will have access to APLNG's extensive geological/sub-surface knowledge of the tender area (due to it being directly adjacent to the APLNG Talinga field) which will allow the Joint Venture to expedite development and deliver gas from the exploration block. Gas production will have direct access to the domestic gas market through APLNG's existing gas processing and water management facilities and infrastructure located immediately adjacent in the Talinga field.

Review of operations and activities continued
for the year ended 30 June 2019

ATP2046 CONTINUED

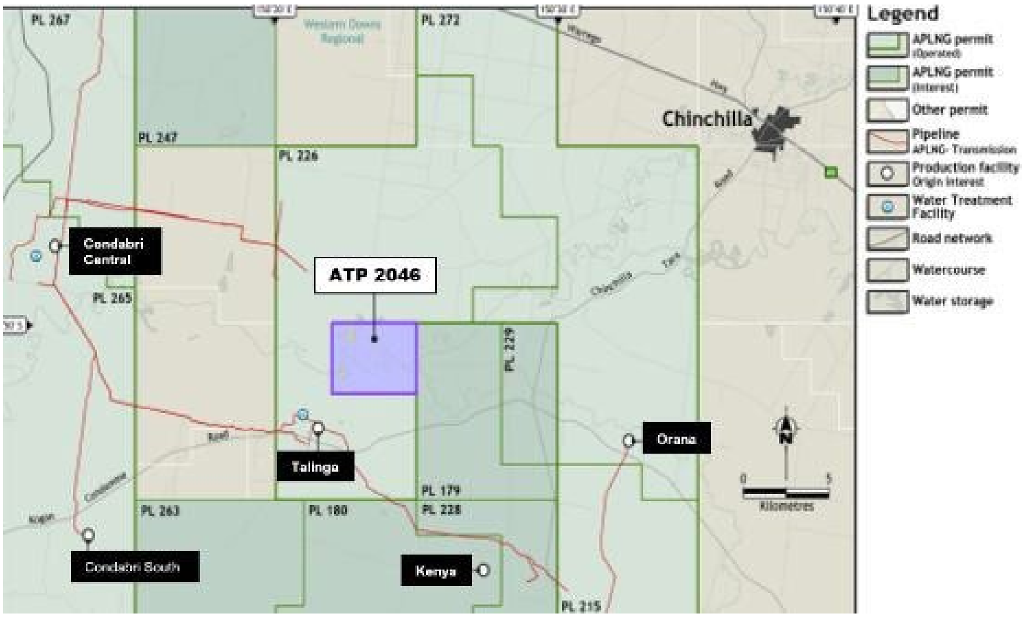


FIGURE 5
Location of Authority to Prospect – ATP2046

As a part of the the Joint Venture, APLNG will operate the tenure, however both parties are able to independently market their proportion of produced gas. Based on ATP2046's close proximity to APLNG's Talinga Gas Plant, it is antipated that the gas will have an existing path to market, and Armour is in the process of identifying potential gas customers that satisfy the condtions of the tenures, specifically the clasification of a "maufacturer" as set out in the bidding process.

Australia Pacific LNG is a large supplier of gas to the East Coast domestic market, providing approximately 30% of the total volume of gas sold into the domestic market in 2018 and has long term domestic contractual commitments until year 2042. Armour has an established relationship with APLNG having implemented in 2016 a flexible Gas Sales Agreement (GSA) for the supply of up to 3.65PJ/a from Armour's Kincora Gas Project to APLNG. Up to 10TJ/day is currently being supplied by Armour to APLNG.

NORTHERN TERRITORY & NORTHERN QUEENSLAND

NORTHERN TERRITORY

In September 2016, the Northern Territory Government (**NTG**) announced a moratorium on hydraulic fracturing of onshore unconventional reservoirs including the use of hydraulic fracturing for exploration, extraction and production. In April 2018 the Chief Minister of the Northern Territory announced that the moratorium was lifted, and all 135 recommendations made in the final report of the independent Scientific Inquiry into Hydraulic Fracturing of Onshore Unconventional Reservoirs in the Northern Territory will be adopted. In a further media release in July 2018, the Northern Territory Government released its plan to implement those recommendations. Since then the NTG has implemented legislation and policies addressing several of the inquiry recommendation and as a result, exploration activities have re-commenced in the Territory by Origin and Santos.

As a result of the inquiry and moratorium, Armour has sought suspensions, extensions and variations to the work programs of its granted tenements in the Territory. It is anticipated that approval of these suspensions, extensions and variations will be received in the coming months. Following receipt of approvals, the Group intends to resume exploration activities and res-establishing its social license in the areas.

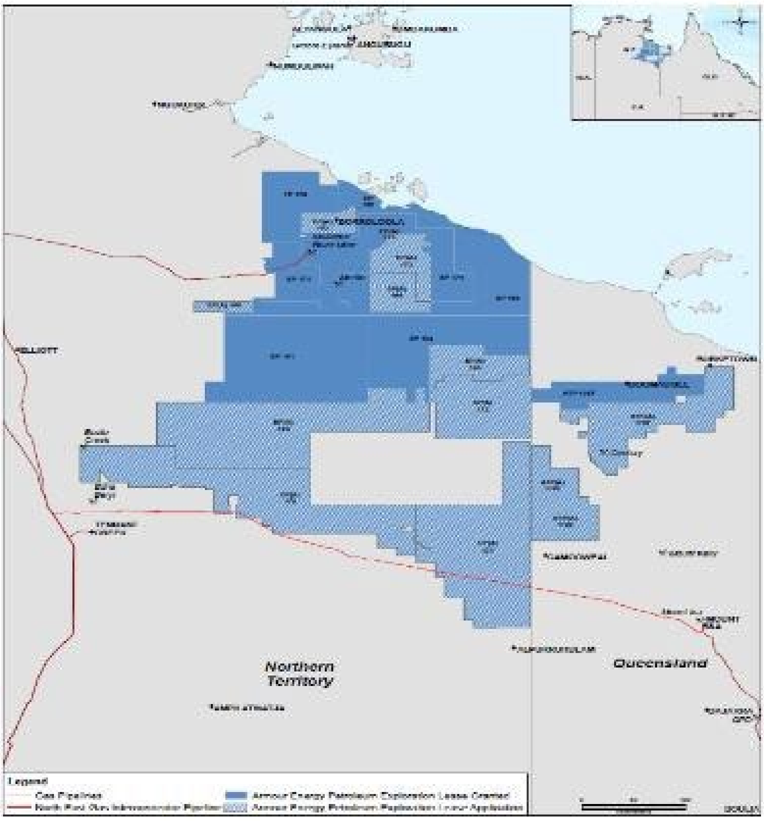


FIGURE 6
Northern Territory acreage

The Group's McArthur Basin project area represents the largest and most important part of the Northern, Central and Southern McArthur Basin where the thickest and most oil and gas prone sections of the McArthur and Tawallah source rocks are present. Figure 7 shows the deep oil and gas plays within the McArthur Basin that the Group intends to resume exploration of during phase 3 of the Group's growth strategy.

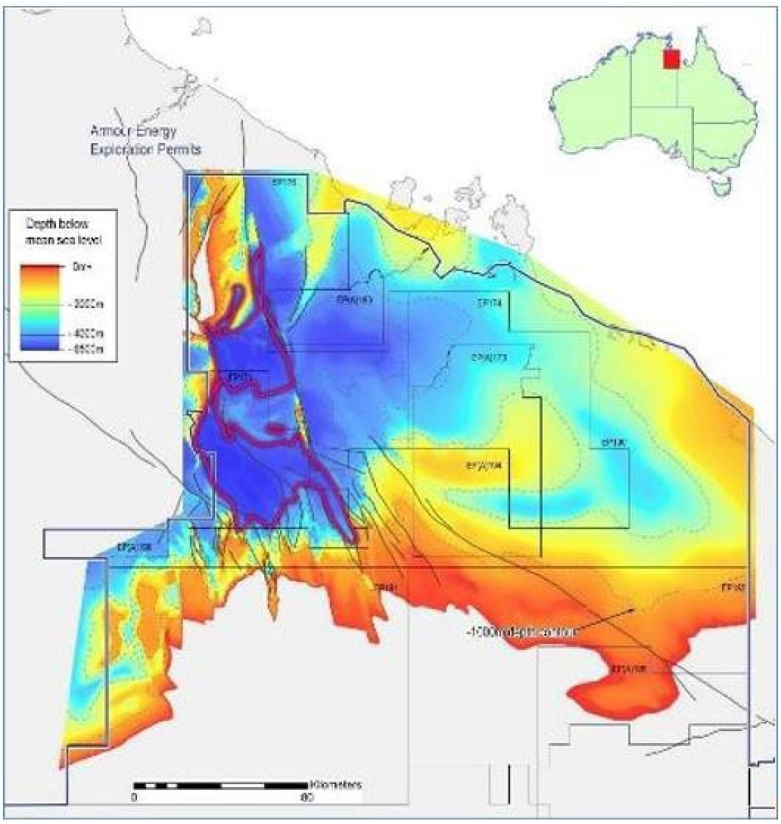


FIGURE 7
McArthur Basin deep oil and gas plays

Review of operations and activities continued
for the year ended 30 June 2019

NORTHERN TERRITORY & NORTHERN QUEENSLAND
NORTHERN QUEENSLAND

ATP 1087 is the Group's 100% owned highly prospective shale gas play in the Isa Super Basin, with 18.7 TCF best estimate prospective gas resources (refer Table 4), well understood rock properties of up to 11% Total Organic Content, and stacked play opportunities.

The Group has drilled 6 wells to date in ATP1087, including the Egilabria-2 well, which was an Australian first of achieving flows from a hydraulically stimulated lateral well in shale. The Group has acquired extensive seismic and other geological data during its tenure and has drill ready targets to achieve large scale production in the future.

Plans for ATP1087 within the Group's phase 3 growth strategy includes appraisal work to establish commercial flow rates, and to acquire further seismic data and drill an exploration well deeper into the basin.

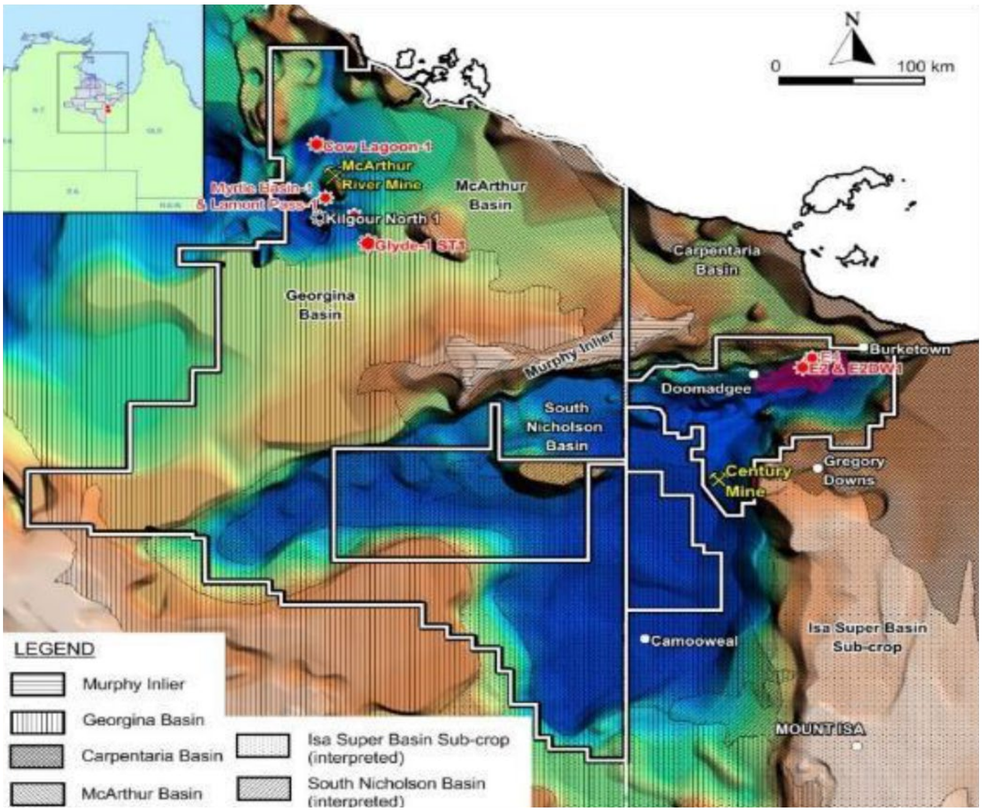


FIGURE 8
Isa Super Basin

The Group's 100% owned Northern Australia acreage best estimate prospective gas resource within shale formations is 57 TCF, refer Table 4 over the page. The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) related to undiscovered accumulations.

These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

The Group is actively seeking farmin partners to assist in the exploration and development its northern Australian tenements – across the NT and north Queensland.

Best estimate prospective gas resources (recoverable) – NT / QLD	
NT unconventional gas	Tscf
Barney Creek Shale (EP171, 176)[(1)]	13.0
Wollogorang Shale, Tawallah Group[(5)]	6.9
McDermott Shale, Tawallah Group[(5)]	10.1
NT conventional gas	Tscf
All leads and prospects[(1)(2)(3)(5)]	4.9
NT total gas prospective resources	34.9
QLD unconventional gas	Tscf
Lawn Shale (ATP1087)[(6)]	8.1
Riversleigh Shale (ATP1087)[(7)]	14.0
QLD total gas prospective resources	22.1
NT/QLD gas prospective resources	57.0

TABLE 4
Best estimate prospective gas resources (recoverable) – NT/QLD combined.
Refer ASX release of 21 September 2015 for full details.

Table 4 Footnotes – Resource Reports:
(1) MBA Report, Conventional and Unconventional Prospective Resource Estimate EP 171 & EP 176, NT, October 2011
(2) D&M Report, Prospective Resources Attributed to Certain Prospects in Various License Blocks, NT, April 2013
(3) SRK Report, Coxco Dolomite Resource Evaluation Batten Trough, McArthur Basin, EP 171, 176, 190, NT, November 2013
(4) MBA Report, Unconventional Prospective Resource Assessment, ATP (A) 1087, QLD, November 2011
(5) SRK Report, SRK Report, Conventional and Unconventional Resource Assessment of the Wollogorang and McDermott Formations – Tawallah Group, NT, September 2015
(6) SRK Report, Lawn Hill Formation Prospective Gas Resources ATP 1087, QLD, September 2015
(7) SRK Report, Riversleigh Siltstone Formation Prospective Gas Resources ATP 1087, QLD, September 2015

UGANDA PROJECT

The exploration activity on the Kanywataba block has progressed including soil sampling and Iodine testing, basin study analysis work and 2D seismic design in preparation for the 2D seismic survey planned to be carried in Q3 prior to the end of the first exploration period which ends in September 2019. The application for license renewal for the second exploration period was submitted in June as required.

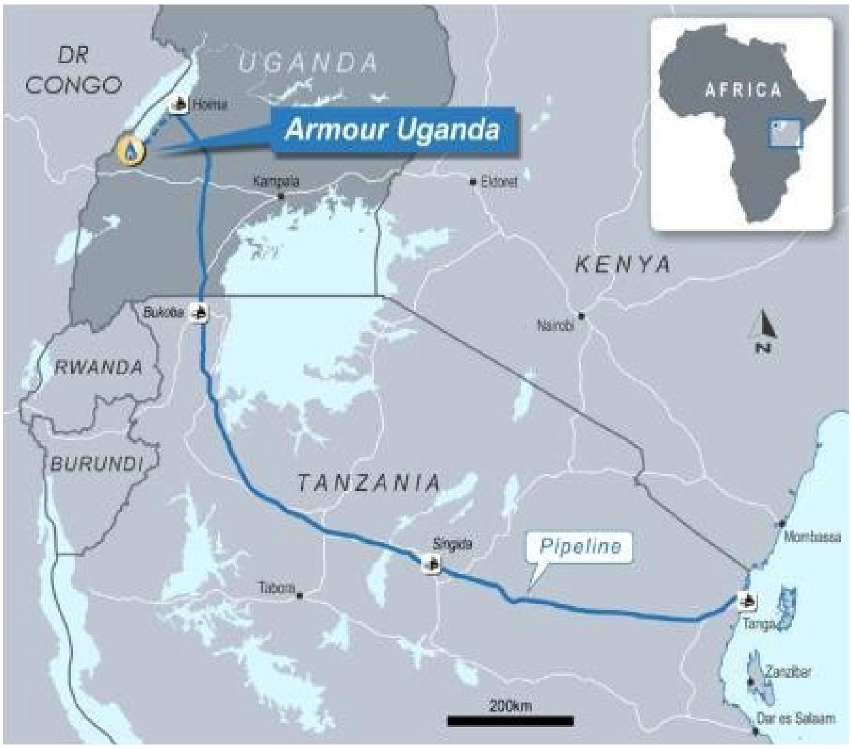
The Group has a 16.82% interest in the Kanywataba block, and DGR Global, a major shareholder in Armour, holds the other 83.18% interest in the entity. Until the time of transfer to a project specific company, or if such transfer does not occur, the Company and DGR Global have agreed that the beneficial interest in the Kanywataba Block will be split 16.82% the Company and 83.18% DGR Global.

In consideration for the beneficial interest split DGR Global has agreed to meet tenement expenditure and work program commitments for the first 2-year period of exploration and indemnify the Company for these costs. The expenditure commitments agreed to by DGR are to fund US$873,000 for a Performance Guarantee, US$442,000 to complete the grant of the lease and US$1.98m for years 1 and 2 exploration commitments.

Review of operations and activities continued
for the year ended 30 June 2019

UGANDA PROJECT CONTINUED

The Kanywataba block is located at the southern end of Lake Albert in the Albertine Graben where approximately 115 wells have been drilled, and 101 wells encountered hydrocarbons delivering an 88% success rate on economic discoveries. To date, discoveries in the Albertine Graben total approximately 6.5 billion barrels of oil initially in place, with estimated recovery being 1.5 billion barrels and oil being light to medium gravity (30-35 API) with associated wet and dry gas. The Albertine Graben is a Rift Basin, a geological formation known to host a third of the world's oil reserves and similar geology to the Gippsland Basin in Victoria, Australia. The Albertine Graben is considered to provide world class reservoir qualities, multiple reservoirs and less than 40% of the Albertine Graben has been evaluated. Production licenses have been awarded to Total, Tullow and CNOOC on blocks to the north of the Kanywataba block, on the east coast of Lake Albert.



MAP
Source: DGR Global website
dgrglobal.com.au/dgr-uganda

Based on the Highly Prospective Oil Columns Kanywataba Block internal report dated 13 September 2017, the Group has assessed the prospectivity of the block and estimates low, best and high unrisked prospective oil resource to range from 646 to 969 MMBBLS* of oil in place across 7 prospects each with stacked reserves. The Group considers the main resource risk to be potential loss of hydrocarbon charge, and on that basis considers prospects 2 and 3 to represent the most prospective targets.

* The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) related to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Kanywataba Block	Unrisked Prospective Oil Resource Estimate (MMBLS)		
Prospect Number	Low	Best	High
Stacked 1	479	599	719
Stacked 2	86	107	128
Stacked 3	59	74	89
Stacked 4	1	2	2
Stacked 5	2	2	3
Stacked 6	13	16	19
Stacked 7	7	9	11
SUM ALL PROSPECTS	646	808	969

TABLE 5
Unrisked prospective oil resource estimates

Competent Persons Statement
Resource estimates have been compiled from data provided by the Company's Chief Geologist, Mr Luke Titus. Mr Titus' qualifications include a Bachelor of Science from Fort Lewis College, Durango, Colorado, USA and he is an active member of AAPG and SPE. Mr Titus has over 20 years of relevant experience in both conventional and unconventional oil and gas exploration in various international hydrocarbon basins. Mr Titus has sufficient experience that is relevant to Group reserves and resources to qualify as a Reserves and Resources Evaluator as defined in ASX Listing Rule 5.11. Mr Titus consented to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Cautionary Statement – The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

A crude oil export pipeline is under construction from the Hoima District (centrally located in the Ugandan oil discoveries region) to the port of Tanga in Tanzania with completion targeted in 2020. Also, the Government of Uganda is negotiating the construction of a refinery to provide petroleum products for Uganda and its regional neighbours.

CORPORATE ACTIVITIES

GAS ACCELERATION PROGRAM

In the previous financial year Armour Energy (Surat Basin) Pty Ltd (**Armour Surat**) executed an agreement with the Federal Government under the Gas Acceleration Program (**GAP**) for a total of $6 million. GAP provides grants to businesses to accelerate direct investment in onshore natural gas projects and provides funding on a cost-contribution basis of up to 50% of a participant's eligible drilling costs. Armour Surat was awarded a GAP grant of $6m which it expects to provide approximately 40% of its costs for the drilling, completion (including stimulation) and connection costs for its 4 well Kincora Area Development Program scheduled to be completed by June 2019.

Armour Surat received the initial GAP grant payment of $2.3 million (net of GST) in June 2018, with subsequent payments of $3.1 million (net of GST) received by Armour up to 30 June 2019 at completion of project milestones.

TRIBECA FACILITY

As disclosed in last year's financial report, the Company and subsidiary, Armour Surat entered into a credit facility agreement (**Tribeca Facility Agreement**) with Equity Trustees Limited (in its capacity as the trustee of the Tribeca Global Natural Resources Credit Fund) and Tribeca Global Natural Resources Credit Master Fund (together **Tribeca**) for the provision by Tribeca of an environmental bonding finance facility to Armour Surat (the **Tribeca Facility**).

Review of operations and activities continued
for the year ended 30 June 2019

CORPORATE ACTIVITIES CONTINUED

TRIBECA FACILITY CONTINUED

The Tribeca Facility is secured by a guarantee from the Company, a second ranking specific security over two (2) bank accounts controlled by Westpac Banking Corporation (the **Credit Accounts**) in the name of Armour Surat, and a second ranking featherweight security interest over all of the present and after- acquired property of Armour Surat. The Credit Accounts contain the funds against which Westpac Banking Corporation has issued unconditional bankers' undertakings in favour of the State of Queensland, to guarantee the environmental obligations of Armour Surat to the Department of Natural Resources and Mines (DNRM). The Tribeca Facility may be paid down through monies in the Credit Accounts as and when the banker's undertakings expire or are returned by the State of Queensland.

The Tribeca Facility will provide Armour Surat with a source of further working capital to facilitate its continued development of its Kincora Gas Project. The Tribeca Facility has a 9% per annum coupon rate payable by the Company quarterly in arrears on amounts drawn and in addition, the Company has agreed to grant to Tribeca 41,000,000 unlisted options to subscribe for ordinary shares (**Options**) with an exercise price of A$0.166. The Options will expire on the third anniversary of the first drawdown date under the Tribeca Facility. As at the date of this report, the Group has drawn all eligible funds from the loan facility, with a loan balance of $6,759,200.

NON-RENOUNCEABLE ENTITLEMENT OFFER

In September 2018 the company completed an Accelerated Non-Renounceable Entitlements Offer to both institutional and eligible retail shareholders, on the basis of 1 new fully paid ordinary share for every 4 shares held at an issue price of $0.10 per share (New Share), to raise approximately $10.1 million (before costs of the entitlement offer). The Entitlement offer consisted of an entitlement offer to institutional shareholders and raised approximately $2.65 million and an entitlement offer to retail shareholders, which raised approximately $3.27 million. The underwriter, Samuel Holdings Pty Ltd (as Trustee), placed the shortfall amount of $4.21 million.

CORPORATE BOND FINANCE FACILITY / REDEMPTION OF EXISTING CONVERTIBLE NOTES

During the period the Group raised $55 million via the issue of secured and amortising notes (the **New Notes**). The offering for the New Notes was managed by FIIG Securities Limited (FIIG). The Proceeds from the issue of the New Notes was applied to the redemption of all the existing Convertible Notes on issue with the balance retained for working capital and field program expenditure.

The New Notes were issued at the same time as the redemption of the existing Convertible Notes in order to provide for a smooth transition of the underlying security arrangements.

For more information on the terms and conditions of the notes, please refer to Armour's announcement on 19th March 2019 for full details.

PRIVATE PLACEMENT

On 23 September 2019 the Company announced the successful close of a $4 million private placement via the allotment of 80 million shares at a price of 5 cents per share. Investors will also receive one (1) unlisted option exercisable at 8 cents per share (through to 30 September 2023) for every two (2) shares subscribed for in the placement. The proceeds of the private placement will be used by the Company to progress its Kincora Project field program, meet the costs of the raising, and for general working capital purposes.

COMPETENT PERSONS STATEMENT

Consents

The resources information in this report are based on, and fairly represent, data and supporting documentation prepared by, or under the supervision, of Dr Bruce McConachie. Dr McConachie is an Associate Principal Consultant of SRK Consulting (Australasia) Pty Ltd and has a PhD (Geology) from QUT and is a member of AusIMM, AAPG, PESA and SPE. The Resources information in this ASX announcement was issued with the prior written consent of Dr McConachie in the form and context in which it appears.

Resource reviews were carried out in accordance with the SPE Reserves Auditing Standards and the SPE-PRMS guidelines under the supervision of Mr Luke Titus, Chief Geologist, Armour Energy Limited. Mr Titus qualifications include a Bachelor of Science from Fort Lewis College, Durango, Colorado, USA and he is an active member of AAPG and SPE. He has over 20 years of relevant experience in both conventional and unconventional hydrocarbon exploration & production in the US and multiple international basins. Mr Titus meets the requirements of qualified petroleum reserve and resource evaluator as defined in Chapter 19 of the ASX Listing Rules and consents to the inclusion of this information in this release.

SPE-PRMS

Society of Petroleum Engineer's Petroleum Resource Management System – Petroleum resources are the estimated quantities of hydrocarbons naturally occurring on or within the Earth's crust. Resource assessments estimate total quantities in known and yet-to-be discovered accumulations, resources evaluations are focused on those quantities that can potentially be recovered and marketed by commercial projects. A petroleum resources management system provides a consistent approach to estimating petroleum quantities, evaluating development projects, and presenting results within a comprehensive classification framework.

PRMS provides guidelines for the evaluation and reporting of petroleum reserves and resources.

Under PRMS

"Reserves" are those quantities of petroleum which are anticipated to be commercially recovered from known accumulations from a given date forward. All reserve estimates involve some degree of uncertainty. The uncertainty depends chiefly on the amount of reliable geologic and engineering data available at the time of the estimate and the interpretation of these data. The relative degree of uncertainty may be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Unproved reserves are less certain to be recovered than proved reserves and may be further sub-classified as probable and possible reserves to denote progressively increasing uncertainty in their recoverability.

Review of operations and activities continued
for the year ended 30 June 2019

CORPORATE ACTIVITIES CONTINUED

COMPETENT PERSONS STATEMENT CONTINUED

Under PRMS continued

"Contingent Resources" are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.

"Prospective Resources" are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both a chance of discovery and a chance of development. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub-classified based on project maturity.

Previous reported information on the Contingent Resources in this report relate to Armour Energy's Surat Basin PLs and ATPs is based on an independent review conducted by RISC Operations Pty Ltd (RISC) 2015 Independent Technical Specialist Report Roma Shelf dated 30 September 2015 and SRK Consulting (Australasia) Pty Ltd Myall Creek Contingent Resources Report PLs 227 and 511 (19 July 2016) and SRK Consulting (Australasia) Pty Ltd PL 71 Contingent Resources Report- Parknook, Namarah and Warroon area (19 July 2016) and Armour Energy Target Statement dated 7 October 2015 related to Armour Energy's Surat Basin PLs and ATPs is based on the Annexure A – Independent Expert Report review conducted by BDO Corporate Finance (QLD) Ltd and fairly represents the information and supporting documentation reviewed.

All the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

The estimated quantities of petroleum that may potentially be recovered by the application of future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons. The estimates referred to in this report relating to the Kincora Project Reserves and Resources Upgrades are based on the following reports.

Reports

AEP021_Armour Surat Basin Reserves Update_Rev1, May 14, 2018 AEP022_Armour Basal Rewan Contingent Resource Estimation_Rev2, May 14, 2018 AEP022_Surat Prospects and Leads Resources_Main_Rev1, May 14, 2018 AEP022_Surat Prospects and Leads Resources_ATP754_Rev1, May 14, 2018 AEP022_Surat Prospects and Leads Resources_ATP1190_Rev1, May 14, 2018

AEP022_Surat Prospects and Leads Resources_PL71 Exploration_Rev1, May 14, 2018

Directors' report
for the year ended 30 June 2019

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Armour Energy Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2019.

DIRECTORS

The following persons were Directors of Armour Energy Limited during the whole of the financial year and up to the date of this report, unless otherwise stated.

Nicholas Mather	Executive Chairman
Stephen Bizzell	Non-Executive Director
Roland Sleeman	Independent Non-Executive Director
Eytan Uliel	Independent Non-Executive Director
William (Bill) Stubbs	Non-Executive Director (retired 27 November 2018)
Karl Schlobohm	Alternate Director for William (Bill) Stubbs (appointed 5 September 2018, resigned 17 November 2018)

INFORMATION ON DIRECTORS

The details of the Directors in office during the year and at the date of this report (unless otherwise stated) are set out in this section.

Name	Nicholas Mather (appointed 18 December 2009)
Title	Executive Chairman
Qualifications	BSc (Hons, Geol), MAusIMM
Experience and expertise	Mr Mather's special area of expertise is the generation of and entry into undervalued or unrecognised resource exploration opportunities. He has been involved in the junior resource sector at all levels for more than 25 years. In that time he has been instrumental in the delivery of major resource projects that have delivered significant gains to shareholders. As an investor, securing projects and financiers, leading exploration campaigns and managing emerging resource companies, Mr Mather brings a wealth of valuable experience.
Other current directorships	DGR Global Limited Dark Horse Resources Limited Aus Tin Mining Limited Lakes Oil NL SolGold plc, which is listed on the London Stock Exchange (LSE) and Toronto Exchange (TSX) IronRidge Resources Limited, which is listed on the London Alternative Investment Market (AIM)
Former directorships (last 3 years)	None
Special responsibilities	Executive Chairman, Member of the Remuneration Committee
Interests in shares	3,647,968
Interests in options	1,500,000

Directors' report continued
for the year ended 30 June 2019

INFORMATION ON DIRECTORS CONTINUED

Name	Stephen Bizzell
Title	Non-Executive Director
Qualifications	B.Comm, MAICD
Experience and expertise	Mr Bizzell is the Chairman of boutique advisory and funds management group Bizzell Capital Partners Pty Ltd. Mr Bizzell was previously Executive Director of Arrow Energy Ltd, from 1999 until its acquisition by Shell and Petro China for $3.5 billion in August 2010. He was instrumental in Arrow Energy's corporate and commercial success and its growth from a junior explorer to a large integrated energy company. He was also co-founder and Non-Executive Director of Bow Energy Ltd until its takeover for $0.55 billion in January 2012. He has had further experience in the unconventional oil and gas sector as a Director of Dart Energy Ltd. Mr Bizzell qualified as a chartered accountant and early in his career was employed in the corporate finance division of Ernst & Young and the Corporate Tax division of Coopers & Lybrand.
Other current directorships	Renascor Resources Limited (formerly Renaissance Uranium Limited); Stanmore Coal Limited Laneway Resources Limited Strike Energy Limited
Former directorships (last 3 years)	Diversa Limited (resigned 6 October 2016) UIL Energy Limited (resigned 27 December 2018)
Special responsibilities	Chair of the Audit and Risk Committee; Member of the Remuneration Committee; Member of the Health, Safety and Environment Committee
Interests in shares	1,659,051
Interests in options	1,500,000

Name	Roland Sleeman
Title	Independent Non-Executive Director
Qualifications	B.Eng (Mech), MBA
Experience and expertise	Mr Sleeman has 34 year's experience in oil and gas as well as utilities and infrastructure. Mr Sleeman has served in senior management roles, including with Eastern Star Gas Limited as Chief Commercial Officer and AGL as General Manager of the Goldfields Gas Pipeline. Mr Sleeman has extensive engineering and business experience including negotiation of gas sales agreements that provided a foundation for development of the North West Shelf Project, commercialisation of new gas and power station opportunities and management of major gas transmission pipeline infrastructure.
Other current directorships	None
Former directorships (last 3 years)	None
Special responsibilities	Chair of the Remuneration Committee; Chair of the Health, Safety and Environment Committee; Member of the Audit and Risk Committee
Interests in shares	58,333
Interests in options	750,000

Name	Eytan Uliel
Title	Independent Non-Executive Director
Experience and expertise	Mr Uliel is a finance executive with extensive oil and gas industry experience. Since 2015 he has served as Commercial Director of Bahamas Petroleum Plc, a UK Listed company, with conventional oil exploration acreage offshore The Bahamas. From 2009- 2014, Eytan was Chief Financial Officer and Chief Commercial Officer of Dart Energy Limited, an ASX listed company that had unconventional gas assets (coal bed methane and shale gas) in Australia, Asia and Europe, and Chief Commercial Officer of its predecessor Company, Arrow International Limited, a Singapore based company that had unconventional gas assets primarily in Asia and Australia.
Other current directorships	None
Former directorships (last 3 years)	None
Special responsibilities	Member of the Audit and Risk Committee
Interests in shares	Nil
Interests in options	Nil

Name	William (Bill) Stubbs (retired 27 November 2018)
Title	Non-Executive Director
Experience and expertise	Mr Stubbs is a lawyer of 35 years' experience and is currently the Chairman of DGR Global Ltd. 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 was the founding Chairman of Arrow Energy NL which originally pioneered coal seam gas development in Queensland's Bowen and Surat Basins from 1998, and is now a world-wide coal seam gas company.
Other current directorships	DGR Global Limited Lakes Oil NL
Former directorships (last 3 years)	None
Special responsibilities	None
Interests in shares	Nil
Interests in options	Nil

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated. 'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

COMPANY SECRETARY

Karl Schlobohm | B.Comm, B.Econ, M.Tax, CA, FGIA

Mr Schlobohm is a Chartered Accountant with over 25 years' experience across a wide range of industries and businesses. He has extensive experience with financial accounting, corporate governance, company secretarial duties and board reporting.

Karl currently acts as the Company Secretary for ASX-listed DGR Global Ltd, Dark Horse Resources Ltd, Aus Tin Mining Ltd, LSE- and TSX-listed SolGold plc and AIM-listed IronRidge Resources Ltd.

Directors' report continued
for the year ended 30 June 2019

MEETINGS OF DIRECTORS

	Full Board		Audit and Risk Committee		Remuneration Committee		HSE Committee*	
Director	Held**	Attended	Held**	Attended	Held**	Attended	Held**	Attended
Nicholas Mather	12	11	-	-	2	2	-	-
Roland Sleeman	12	12	-	-	3	3	1	1
Stephen Bizzell	12	12	2	2	-	-	-	-
Eytan Uliel	12	11	2	1	-	-	-	-
William (Bill) Stubbs	5	4	1	1	-	-	1	1

* Health, Safety and Environment Committee
** "Held" represents the number of meetings held during the time the Director held office.

CORPORATE STRUCTURE

Armour Energy Ltd (Armour) is a company limited by shares that is incorporated and domiciled in Australia. It was converted to a public company on 14 January 2011 and became an ASX-listed company on 26 April 2012.

PRINCIPAL ACTIVITIES

The Group is focused on the discovery and production of oil and gas assets, as well as exploration for economically viable reserves of both conventional and unconventional natural oil and gas. The Group is currently focused on operating its Kincora Gas Plant and the development of its other valuable East Coast Australia oil and gas assets, strategically located on the Roma Shelf in the Surat Basin, Queensland.

The Group's production facilities include field gas compression, extensive gathering systems, the Kincora gas processing plant, and a dedicated pipeline to the Roma to Brisbane Pipeline at Wallumbilla. The assets also include the Newstead (underground) gas storage facility and other potential gas storage facilities. Furthermore, the assets include a number of oil fields with associated facilities.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In August 2018, Armour completed a fully underwritten non-renounceable Entitlement Offer which raised $10.1 million in equity and issued 101,384,299 new shares.

In March 2019, the Company completed the refinancing of its convertible notes, which were due to expire in September 2019. A new corporate bond for $55 million was issued to institutional and sophisticated investors, to refinance the early redemption of the notes, provide additional expenditure for production expansion, exploration and working capital.

There were no other significant changes in the state of affairs of the Group during the financial year.

OPERATING AND FINANCIAL REVIEW

The loss for the Group after providing for income tax amounted to $11,683,748 (30 June 2018: $11,557,788).

OUR BUSINESS

The Group is an emerging producer and supplier of gas, LPG, oil and condensate for the East Coast of Australia market.

The Group's main producing asset is the Kincora gas project, based in the Surat basin near Roma. Australia, and employs over 50 people. Our customers are largely represented by large corporates (gas); other smaller companies for by-products (LPG) and all gas sales are delivered through the Roma to Brisbane Gas Pipeline, at Run 2 Wallumbilla.

CHANGES IN NATURE OF ACTIVITIES DURING THE YEAR

During the year, the Stage 3 production initiatives outlined in the prior year annual report were initiated, including:

- drilling and bringing into production additional wells which will be part funded under the Australian Government's GAP grant of up to $6 million (of which $5.4 million net of GST received);
- refinancing of convertible notes with expiry September 2019, and replacement with $55 million corporate bond;
- increasing production to a consistent 10TJ per day and commencing spot sales into the Queensland gas market;
- 2019 drilling program in advanced planning stage for September 2019 spud, to increase production in line with the 20 TJ/d strategic plans;
- essential maintenance and engineering studies on the Kincora Gas Plant was carried out in order to reduce production bottlenecks and increase plant reliability; and
- diversification of revenues and a second income stream with the recently awarded Sykes Block and joint operation with APLNG.

OUR BUSINESS STRATEGY

The Group operates in the highly competitive East Coast Australia gas market that is constantly innovating. Our business strategy relies upon the following key elements:

- Armour is contracted to Australia Pacific LNG for the supply of up to 3.65PJ per year for 5 years;
- for production volumes beyond this, Armour will be able to take advantage of the strong east coast gas market; and
- Wallumbilla Gas Price has continued to increase in addition to quarterly volume increases.

The continued implementation of strategies to ensure that the business is capable of supporting our growth objectives, whilst maintaining a focus on profitability across our operation will benefit shareholders through increases in shareholder value.

FINANCIAL REVIEW HIGHLIGHTS

- Increase in revenue of $13 million
- Increase in gross profit of $4.8 million
- Refinance of Convertible Notes with a $55 million Corporate Bond facility
- Establishment of a $6.8 million environmental bond loan facility
- Successful entitlement offer which raised $10.1 million in equity
- Second income stream secured with APLNG joint operation on Sykes Block

Directors' report continued
for the year ended 30 June 2019

OPERATING AND FINANCIAL REVIEW CONTINUED
FINANCIAL PERFORMANCE AND CASH FLOWS

	30 June 2019 $	30 June 2018 $
Revenue from Contracts with Customers	27,819,335	14,748,819
Cost of Sales	(19,018,113)	(10,773,299)
Gross profit / (loss)	8,801,222	3,975,520
Other income and expenses	(6,333,678)	(7,324,396)
Finance income	192,524	162,135
Finance expenses	(13,656,309)	(8,927,249)
Income tax (expense) / benefit	(687,507)	556,202
Profit / (loss) after income tax expense	(11,683,748)	(11,557,788)

Revenue from Contracts with Customers and Gross Profit significantly increased due to a full year of production. Finance costs increased due to the early redemption of the Company's Convertible Notes and refinance of a Corporate Bond facility.

UNDERLYING EBITDA (NON-IFRS MEASURE)

Underlying EBITDA reflects statutory EBITDA as adjusted to reflect the Directors' assessment of the result for the ongoing business activities of the Group. These numbers have not been audited.

	30 June 2019 $	30 June 2018 $
Profit / (loss) before income tax and net finance expenses	2,660,068	(3,186,741)
Depreciation and amortisation	1,135,632	878,681
Finance income	(192,524)	(162,135)
Impairment and write-off of exploration assets	71,329	4,107
Net gain or loss on disposal of assets	61,976	-
Earnings before interest, depreciation and amortisation (EBITDA)	3,736,481	(2,466,088)

CASH FLOW

In the year ended 30 June 2019, a total net cash inflow of $4.1 million was recorded. The net outflow from operating activities was $1.0 million with $27.8 million of revenue positively contributing from operations.

Cash outflows from investing activities were $13.7 million, mainly attributable to development and exploration activities around the Kincora project.

During the year, the Group redeemed convertibles notes on issue repaying $43.4 million and issued a corporate bond for $55 million, providing additional working capital for the implementation of Stage 3 initiatives. Net cash inflows from financing activities were $18.8 million.

	30 June 2019 $	30 June 2018 $
Net cash at the beginning of the year	5,104,627	7,711,840
Net cash from operating activities	(986,638)	(258,015)
Net cash from investing activities	(13,688,453)	(8,266,504)
Net cash from financing activities	18,795,640	5,917,306
Net cash at the end of the year	9,225,176	5,104,627

FUTURE LIKELY DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

OPERATIONS

The Group has focused on a 4-Phase growth strategy centred around the Kincora Project on the Roma Shelf, and is working to deliver against the target milestones. To date, Phases 1 and 2 have been completed, with the current Phase 3 progressing, albeit slower than anticipated toward reaching our target of 20 TJ/d.

The Group currently has gas production and sales of 9 TJ/ day from its existing wells and Newstead Gas Storage Facility. Gas sales are currently to Australia Pacific LNG under the Group's existing Gas Sales Agreements for gas volumes of up to 3.65PJ/a. With an existing agreement to access Run 2 on APA's Wallumbilla facility at up to 30 TJ/day, any new production as wells come onstream can be quickly commercialised. In addition to gas sales, the Group's production and sales of oil, condensate and LPG provides a revenue uplift of approximately 30% on gas sales.

The Group's 4-phase growth strategy is presented below. In summary it shows that Phases 1 and 2 have been completed, Phase 3 is the current focus being to increase production and revenues, and Phase 4 being future growth opportunities is currently being considered and planned. The current Phase 3 focus of increasing production involves drilling of new wells and looking to improve production from existing wells.

EXPLORATION AND DEVELOPMENT

Since the Group's acquisition of the Kincora Project from Origin in 2015/2016, it continues to review, develop detailed databases and models from the significant volumes of subsurface information and building on new knowledge regarding the prospectivity across the Roma Shelf region, including the eastern flank of the current tenure held at the time of the acquisition. As a result of these studies, Armour issued expressions of interest to the Queensland Government seeking release of acreage for further exploration.

As a result, over the last 12 months the Group has been successful in expanding its footprint on the Roma Shelf in the Bowen-Surat Basin. The Group sees this acreage as instrumental in the fulfilling the company's objectives and will support ongoing exploration and development of the petroleum resources of this area within the Bowen-Surat Basin.

There are no further developments of which the Directors are aware which could be expected to affect the results of the Group's operations and plans, other than information which the Directors believe comment on, or disclosure of, would prejudice the interests of the Group.

Directors' report continued
for the year ended 30 June 2019

MANAGING RISK

Armour Energy is a producing oil and gas Group operating in a volatile pricing market. Factors specific to Armour or those which impact the market more broadly, may individually or in combination impact the financial and operating performance of the Group. These events may be beyond the control of the Board or management of Armour Energy. The major risks associated with an investment in the Group are summarised below.

OPERATING RISKS

Armour Energy has a single operation in production and is therefore reliant on continued performance of operations at the Kincora Gas project. There are numerous operating risks which may result in a reduction in performance that decreases the Group's ability to produce gas to meet customer shipping needs. The risks include, but are not limited to, factors such as weather conditions, machinery failure, critical infrastructure failure or natural disasters.

MARKET RISKS

The key drivers for the business's financial performance are commodity price risk. Armour Energy is not of a size to have influence on gas or other petroleum product prices and is therefore a price-taker in general terms.

GEOLOGICAL RISKS

Resource and Reserve estimates are prepared by external experts in accordance with the JORC code for reporting. The estimates are inherently subjective in some respects therefore there is a risk that the interpretation of data may not align with the future experienced conditions in the field. Due care is taken with each estimation.

REGULATORY AND LAND ACCESS RISKS

The Group's operations and projects are subject to State and Federal laws and regulation regarding environmental hazards. These laws and regulations set various standards regulating certain aspects of health and environmental quality, provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to remediate current and former facilities and locations where operations are or were conducted. The ability to secure and undertake exploration and operational activities within prospective areas is also reliant upon satisfactory resolution of native title and management of overlapping tenure.

To address these risks, the Group develops strong, long-term effective relationships with landholders, with a focus on developing mutually acceptable access arrangements as well as appropriate legal and technical advice to ensure it manages its compliance obligations appropriately.

The Group minimises these risks by conducting its activities in an environmentally responsible manner, in accordance with applicable laws and regulations and where possible, by carrying appropriate insurance coverage. In addition, the group engages experienced consultants and other technical advisors to provide expert advice where necessary.

SAFETY

Safety remains of critical importance in the planning, organisation and execution of Armour Energy's exploration and operational activities. The Group is committed to providing and maintaining a working environment in which its employees are not exposed to hazards that will jeopardise an employee's health and safety, or the health and safety of others associated with our business.

SOVEREIGN RISK

The Group has limited influence over the direction and development of government policy. Successive changes to the Australian energy and resources policies, including taxation and innovation policies, have impacted Australia's global competitiveness and reduced the attractiveness of Australian fossil-fuel projects to foreign investors. The Group's view is that whilst there is currently a negative perception of fossil fuels, gas and LPG being less carbon intensive than alternate energy sources (such as thermal coal) will continue to play a significant role as both a domestic and export commodity.

ACCESS TO CAPITAL

At 30 June 2019, the Group remains well funded with cash reserves and an at call working capital facility expected to be sufficient to meet the business's operating costs. Armour Energy's ability to effectively continue as an oil and gas producing business may be dependent upon several factors including the success of the mine operations, or the successful exploration and subsequent exploitation of the Group's tenements. Should these avenues be delayed or fail to materialise, the Group expects to have the ability to successfully raise additional funding through debt, equity or farm out/sell down to allow the Group to continue as a going concern and meet its debts as and when they fall due.

OPTIONS ON ISSUE

At the date of this report, the unissued ordinary shares of Armour Energy Limited under option are set out below.

Grant date	Date of expiry	Exercise price	Number under option
29 March 2016	29 March 2021	$0.195	3,150,000
29 March 2016	29 March 2021	$0.345	3,150,000
29 March 2016	29 March 2021	$0.495	2,250,000
19 December 2016	14 December 2019	$0.215	1,250,000
19 December 2016	14 December 2019	$0.265	1,250,000
19 December 2016	14 December 2019	$0.315	1,250,000
29 May 2017	29 May 2020	$0.215	666,666
29 May 2017	29 May 2020	$0.265	666,667
29 May 2017	29 May 2020	$0.315	666,667
31 July 2017	14 December 2019	$0.215	1,691,664
31 July 2017	14 December 2019	$0.265	1,691,668
31 July 2017	14 December 2019	$0.315	1,691,668
31 July 2018	31 July 2021	$0.161	41,000,000
			60,375,000

Directors' report continued
for the year ended 30 June 2019

REMUNERATION REPORT (AUDITED)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations. This information has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report is set out under the following main headings:

1. Principles used to determine the nature and amount of remuneration
2. Details of remuneration
3. Service agreements
4. Share-based compensation
5. Group performance and link to remuneration
6. Other transactions with key management personnel

The remuneration report details the remuneration arrangements for Key Management Personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director (whether Executive or otherwise) of the Group, and includes the Executive team.

The following persons are considered Key Management Personnel for the Group:

i) Directors

Nicholas Mather – Executive Chairman

Roland Sleeman – Non-Executive Director

Stephen Bizzell – Non-Executive Director

Eytan Uliel – Non-Executive Director

William (Bill) Stubbs – Non-Executive Director (retired 27 November 2018)

Karl Schlobohm – Alternate Non-Executive Director for William Stubbs (appointed 5 September 2018; resigned 17 November 2018)

ii) Executives

Roger Cressey – Chief Executive Officer (resigned 24 July 2019)

Karl Schlobohm – Company Secretary

Richard Aden – Chief Financial Officer (from 23 July 2018)

Priy Jayasuriya – Interim Chief Financial Officer (from 28 April 2018 to 23 July 2018)

Richard Fenton – General Manager – Access, Infrastructure and Planning (from 16 July 2018 to 23 May 2019)

Nathan Rayner – Chief Operating Officer (from 26 November 2018 to 19 July 2019)

Peter Ashford – Chief Commercial Officer (to 20 July 2018)

Owing to a management restructure, Luke Titus – Chief Geologist ceased to be KMP for the 2019 financial year. Other than the above, there were no changes to KMP after the reporting date and before the date the financial report was authorised for issue.

1. Principles used to determine the nature and amount of remuneration

The Group's remuneration policy is designed to attract, motivate and retain Executives and Non-Executive Directors by identifying and rewarding high performers and recognising the contribution of each person to the continued growth and success of the Group.

The Board of Directors (the **Board**) ensures that Executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- alignment of Executive compensation; and
- transparency.

The Remuneration Committee is responsible for providing recommendations to the Board of Directors on the remuneration arrangements for its Directors and Executives. The performance of the Group depends on the quality of its Directors and Executives.

The Board assesses the appropriateness of the nature and amount of remuneration of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit. Such officers are given the opportunity to receive their base remuneration in a variety of forms including cash and fringe benefits. It is intended that the manner of payments chosen will be optimal for the recipient without creating undue cost for the Group. Further details on the remuneration of Directors and Executives are set out in this Remuneration Report.

The Group aims to reward the Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group. The Board's policy is to align Director and Executive objectives with shareholder and business objectives by providing a fixed remuneration component.

The reward framework is designed to align Executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- link reward with the strategic goals and performance of the Group;
- focusing on sustained growth in shareholder wealth and achievement of these strategic goals; and
- ensuring total remuneration is competitive by market standards.

Additionally, the reward framework should seek to enhance Executives' interests by:

- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive Director remuneration is separate.

Directors' report continued
for the year ended 30 June 2019

REMUNERATION REPORT (AUDITED) CONTINUED

1. Principles used to determine the nature and amount of remuneration continued

Non-Executive Directors' remuneration

The board seeks to set aggregate remuneration at a level which provides the Group with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders. The Group's specific policy for determining the nature and amount of remuneration of Non-Executive Directors is as outlined below.

The Company's constitution and ASX listing rules require the aggregate Non-Executive Directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 9 November 2011 where the shareholders approved a maximum annual aggregate remuneration of $500,000.

Fees and payments to Non-Executive Directors reflect the demands and responsibilities of their role. Non-Executive Directors' fees and payments are reviewed annually by the Remuneration Committee. The Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure Non-Executive Directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other Non-Executive Directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

During the year ended 30 June 2019, the Company engaged global organisational consulting firm Korn Ferry (NYSE:KFY) to review the reward strategy across the Group. Korn Ferry recommended a review of both short-term incentive (STI) and long-term incentive (LTI) options to ensure consistency within the Group and to better align STIs and LTIs with the Group's organisational strategic objectives and performance. Korn Ferry was paid a fee of $44,800 in cash (2018: nil).

If a Non-Executive Director performs extra services, which in the opinion of the Directors are outside the scope of the ordinary duties of the director, the Group may remunerate that director by payment of a fixed sum determined by the directors in addition to or instead of the remuneration referred to above. However, no payment can be made if the effect would be to exceed the maximum aggregate amount payable to Non-Executive Directors. A Non-Executive Director is entitled to be paid travelling and other expenses properly incurred by them in attending Directors' or general meetings of the Group or otherwise in connection with the business of the Group.

All Directors have the opportunity to qualify for participation in the Employee Share Option Plan, subject to the approval of shareholders.

The rights, responsibilities and remuneration terms for each Non-Executive Director are set out in a letter of appointment, pursuant to which:

- Directors are granted the rights to access Group information, and the right to seek independent professional advice;
- Directors are provided with a Deed of Access and Indemnity;
- Directors are provided with coverage under the Group's directors and officers insurance policy;
- Directors are made aware of the Group's Corporate Governance policies and procedures;
- Directors are currently entitled to remuneration of $50,000 per annum, plus reasonable expenses for travel and accommodation; and
- there are no fixed terms or notice periods, with the exception of the Chairman.

The remuneration of Non-Executive Directors for the year ended 30 June 2019 is detailed in Section 2 of this remuneration report.

Executive remuneration

The Group aims to reward Executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components and is commensurate with their position and responsibilities within the Group and so as to;

- link reward with the strategic goals and performance of the Group;
- align the interests of the Executives with those of shareholders; and
- ensure total remuneration is competitive by market standards.

The remuneration of the Executives is recommended by the Remuneration Committee and determined by the Board. The remuneration will comprise a fixed remuneration component and also may include offering specific short and long-term incentives, in the form of:

- base pay and non-monetary benefits;
- short-term performance incentives;
- share-based payments;
- other remuneration such as superannuation and long service leave.

The combination of these comprises the Executive's total remuneration. The remuneration of Executive Directors and other KMP for the year ended 30 June 2019 is detailed in Section 2 of this Remuneration report.

Voting and comments made at the Company's 2018 Annual General Meeting ('AGM')

At the 2018 AGM, 99.4% of the eligible votes received supported the adoption of the remuneration report for the year ended 30 June 2018. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

2. Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel (KMP) of the Group are set out over the page.

Directors' report continued
for the year ended 30 June 2019

REMUNERATION REPORT (AUDITED) CONTINUED

2. Details of remuneration continued

Amounts of remuneration continued

30 June 2019	Short-term benefits			Post-employment benefits
	Cash salary $	Cash bonus $	Non-monetary $	Superannuation $
Directors				
Nicholas Mather	210,000	-	-	-
Stephen Bizzell	50,000	-	-	-
Roland Sleeman	50,000	-	-	-
Eytan Uliel	50,000	-	-	-
William (Bill) Stubbs*	20,833	-	-	-
Other Key Management Personnel				
Roger Cressey*	396,219	-	41,638	25,675
Karl Schlobohm	50,000	-	-	-
Richard Aden***	302,442	-	15,464	18,870
Richard Fenton**	291,348	-	-	17,826
Nathan Rayner**	181,857	-	9,854	13,425
Priy Jayasuriya***	4,399		-	-
	1,607,098	-	66,956	75,796

* Mr Stubbs retired on 27 November 2018. Mr Cressey resigned on 24 July 2019.
** Mr Fenton was employed between 16 July 2018 and 23 May 2019. Mr Rayner was employed between 26 November 2018 and 19 July 2019.
*** Mr Jayasuriya was interim CFO from 28 April 2018 to 23 July 2018. Mr Aden commenced employment as CFO on 23 July 2018.

30 June 2018				
Directors				
Nicholas Mather	210,000	-	-	-
Stephen Bizzell	50,000	-	-	-
Roland Sleeman	50,000	-	-	-
Eytan Uliel*	29,167	-	-	-
William (Bill) Stubbs	50,000	-	-	-
Matthew Beach*	47,848	-	-	-
Other Key Management Personnel				
Roger Cressey	434,847	-	-	26,245
Karl Schlobohm	50,000	-	-	-
Peter Ashford	350,396	-	-	32,528
Priy Jayasuriya**	12,201	-	-	-
Peter Harding-Smith**	200,446	-	-	18,589
Luke Titus***	237,986	-	-	22,609
	1,722,891	-	-	99,971

* Mr Uleil was appointed on 20 November 2017. Mr Beach resigned on 16 May 2018.
** Mr Harding-Smith ceased employment as CFO on 27 April 2018. Mr Jayasuriya was interim CFO from 28 April 2018 to 23 July 2018.
*** In the prior year, Mr Titus was considered KMP, however owing to a management restructure he is not considered a KMP in the current year.

	Share-based payments Equity-settled Options $	Shares $	Total $	Options/shares %
Directors continued				
Nicholas Mather	-	-	210,000	-%
Stephen Bizzell	-	-	50,000	-%
Roland Sleeman	-	-	50,000	-%
Eytan Uliel	-	-	50,000	-%
William (Bill) Stubbs*	-	-	20,833	-%
Other Key Management Personnel continued				
Roger Cressey*	13,211	-	476,743	2.8%
Karl Schlobohm	4,404	-	54,404	8.1%
Richard Aden***	-	-	336,776	-%
Richard Fenton**	-	-	309,174	-%
Nathan Rayner**	-	-	205,136	-%
Priy Jayasuriya***	4,404	-	8,803	50.0%
	22,019	-	1,771,869	

Directors continued				
Nicholas Mather	-	-	210,000	-%
Stephen Bizzell	-	-	50,000	-%
Roland Sleeman	-	-	50,000	-%
Eytan Uliel*	-	-	29,167	-%
William (Bill) Stubbs	-	-	50,000	-%
Matthew Beach*	-	-	47,848	-%
Other Key Management Personnel continued				
Roger Cressey	76,519	-	537,611	14.2%
Karl Schlobohm	12,715	-	62,715	20.3%
Peter Ashford	41,116	-	424,040	9.7%
Priy Jayasuriya**	18,197	-	30,398	59.9%
Peter Harding-Smith**	29,133	-	248,168	11.7%
Luke Titus***	50,972	-	311,567	16.4%
	228,652	-	2,051,514	

Directors' report continued
for the year ended 30 June 2019

REMUNERATION REPORT (AUDITED) CONTINUED

2. Details of remuneration continued

Amounts of remuneration continued

All other Directors were not entitled to or awarded any performance based incentives or bonuses during the current or prior year.

The Group has an incentive scheme which rewards employees for contributing to the overall performance of the Group. The underlying objective of the incentive arrangements is to:

- ensure employees understand the Group's business drivers, objectives and performance;
- strengthen the involvement and focus of employees in achieving the business' objectives; and
- improve teamwork, communication and interaction among employees.

Under the incentive scheme, the Group may at its discretion, on an annual basis, pay a bonus to permanent employees who are employed by the Group on the final day of the relevant financial year (that is, 30 June). The maximum amount of bonus that will be paid to each employee in any year is set out in the employee's contract of employment.

The actual amount of bonus paid to each individual employee will be dependent on:

- for 70% of the potential maximum award, the individual employee's performance relative to pre-agreed key performance indicators (**KPIs**); and
- for 30% of the potential maximum award, the overall corporate performance compared to predetermined corporate performance targets but subject to satisfactory personal performance.

The proportion of the bonus paid/payable or forfeited is set out below.

	Short term incentive paid/payable		Short term incentive forfeited	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
Other Key Management Personnel				
Roger Cressey	-	-	100%	100%
Karl Schlobohm	-	-	-	100%
Peter Ashford	-	-	100%	100%
Priy Jayasuriya	-	-	-	100%
Peter Harding-Smith	-	-	100%	100%
Richard Aden	-	-	100%	-
Richard Fenton	-	-	100%	-
Nathan Rayner	-	-	100%	-

No performance-based bonuses were paid or granted for the current or previous financial year.

For the year ended 30 June 2019 $99,961 of salary and fees were taken as ordinary shares in lieu of cash (2018: nil). The amount of shares awarded was determined with reference to the share value based on 20-day VWAP at the time of qualification for the share allotment.

3. Service agreements

It is the board's policy that employment agreements are entered into with all Executives and employees.

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are set out below.

Name	Roger Cressey
Title	Chief Executive Officer
Agreement commenced	12 September 2017
Term of agreement	Resigned 24 July 2019
Detail	Mr Cressey is entitled to participate in the issue of incentive options in Armour Energy Ltd in accordance with the Company's Employee Share Option Scheme. Both the Group and Mr Cressey are entitled to terminate the contract upon giving three (3) months' written notice. The Group is entitled to terminate the agreement immediately upon Mr Cressey's insolvency or certain acts of misconduct. Mr Cressey is entitled to terminate the agreement immediately upon a significant diminution in his benefits, job content, status, responsibilities or authority. Mr Cressey is entitled to a bonus at the discretion of the board, having regard to his performance, and that of the Company. It is intended that the board will establish a set of agreed key performance indicators for the determination and measurement of future employment-related bonuses, and will also establish a suitable grant of employment- related options.

Name	Nicholas Mather
Title	Executive Chairman
Agreement commenced	18 December 2009
Term of agreement	On-going
Details	Mr Mather is entitled to a base remuneration of $210,000 per annum, inclusive of superannuation. Bonus payments are at the discretion of the Remuneration committee.

Employment contracts entered into with other KMP all contain the following key terms:

- performance based salary increases and/or bonuses paid at the discretion of the Board;
- short and long-term incentives, such as options paid at the discretion of the Board;
- resignation / notice period of 3 months by either the KMP or the Company; and
- no payouts upon resignation or termination, outside industrial regulation (ie. 'golden handshakes').

All Executive employment agreements have three months (or less) notice periods. Salaried Executives are entitled to their statutory entitlements of accrued annual leave and long service leave together with any superannuation on termination.

All Directors and key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Directors' report continued
for the year ended 30 June 2019

REMUNERATION REPORT (AUDITED) CONTINUED

3. Service agreements continued

The base remuneration, inclusive of superannuation, included in the contractual arrangements to other key management personnel is set out below.

Key Management Personnel	Base salary incl. super	Maximum bonus payable
Karl Schlobohm	$50,000	$0
Priy Jayasuriya*	$50,000	$0
Richard Aden*	$340,000	$102,000
Richard Fenton**	$340,000	$102,000
Peter Harding-Smith*	$301,125	$90,000
Peter Ashford*	$359,708	$107,912
Nathan Rayner**	$340,000	$102,000

* Mr Ashford ceased employment on 29 July 2018. Mr Harding-Smith ceased employment as CFO on 27 April 2018. Mr Jayasuriya was interim CFO from 28 April 2018 to 23 July 2018. Mr Aden commenced employment as CFO on 23 July 2019.

** Mr Fenton was employed between 16 July 2018 and 23 May 2019. Mr Rayner was employed between 26 November 2018 and 19 July 2019.

4. Share-based compensation

Issue of shares in lieu of fixed remuneration

Name	Date	Shares	Issue price	$
Richard Aden	5 October 2018	75,385	$0.10	11,423
Richard Aden	17 January 2019	238,095	$0.08	20,000
Richard Aden	16 April 2019	96,154	$0.09	9,231
Richard Aden	24 June 2019	145,828	$0.07	10,769
Richard Fenton	5 October 2018	114,231	$0.10	7,538
Richard Fenton	17 January 2019	151,099	$0.08	12,692
Nathan Rayner	17 January 2019	34,798	$0.08	2,923
Nathan Rayner	16 April 2019	208,333	$0.09	20,000
Nathan Rayner	24 June 2019	72,914	$0.07	5,385
		1,136,837		99,961

Options granted as part of remuneration for the year ended 30 June 2019

Under the Company's employee share option plan (**ESOP**), which was approved by shareholders at the 2016 AGM, share options may be issued to Directors and Executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of Directors and Executives of the Group to align comparative shareholder return and reward for Directors and Executives.

During the year ended 30 June 2019 there were no options granted as remuneration to Key Management Personnel (2018: 5,500,000). Details of all options on issue over unissued ordinary shares in Armour Energy Ltd at 30 June 2019 to Key Management Personnel as remuneration are set out in the table over the page.

KMP	Vesting date – all 100% vested	Grant date	Grant number	Exercise price	Expiry date	Number vested	Value per option at grant date*	Balance at 30 June 2019
R Cressey	29/03/2019	29/03/2016	900,000	$0.195	29/03/2021	900,000	$0.06	900,000
K Schlobohm	29/03/2019	29/03/2016	300,000	$0.195	29/03/2021	300,000	$0.06	300,000
R Cressey	29/03/2019	29/03/2016	900,000	$0.345	29/03/2021	900,000	$0.06	900,000
K Schlobohm	29/03/2019	29/03/2016	300,000	$0.345	29/03/2021	300,000	$0.06	300,000
R Cressey	29/03/2019	29/03/2016	900,000	$0.495	29/03/2021	900,000	$0.06	900,000
K Schlobohm	29/03/2019	29/03/2016	300,000	$0.495	29/03/2021	300,000	$0.06	300,000
N Mather	19/12/2016	19/12/2016	500,000	$0.215	14/12/2019	500,000	$0.07	500,000
S Bizzell	19/12/2016	19/12/2016	500,000	$0.215	14/12/2019	500,000	$0.07	500,000
R Sleeman	19/12/2016	19/12/2016	250,000	$0.215	14/12/2019	250,000	$0.07	250,000
N Mather	19/12/2016	19/12/2016	500,000	$0.265	14/12/2019	500,000	$0.65	500,000
S Bizzell	19/12/2016	19/12/2016	500,000	$0.265	14/12/2019	500,000	$0.65	500,000
R Sleeman	19/12/2016	19/12/2016	250,000	$0.265	14/12/2019	250,000	$0.65	250,000
N Mather	19/12/2016	19/12/2016	500,000	$0.315	14/12/2019	500,000	$0.64	500,000
S Bizzell	19/12/2016	19/12/2016	500,000	$0.315	14/12/2019	500,000	$0.64	500,000
R Sleeman	19/12/2016	19/12/2016	250,000	$0.315	14/12/2019	250,000	$0.64	250,000
R Cressey	31/07/2017	31/07/2017	466,666	$0.215	14/12/2019	466,666	$0.31	466,666
R Cressey	31/07/2017	31/07/2017	466,667	$0.265	14/12/2019	466,667	$0.27	466,667
R Cressey	31/07/2017	31/07/2017	466,667	$0.315	14/12/2019	466,667	$0.25	466,667
			8,750,000			8,750,000		8,750,000

* Value per option at grant date is calculated using the Black-Scholes option pricing model, which takes into account factors such as the option exercise price, the share price at the date of issue and volatility of the underlying share price and the time to maturity of the option.

Performance shares

There are nil performance shares on issue over unissued ordinary shares in Armour Energy Ltd as at 30 June 2019 (2018: nil).

Shares issued on exercise of remuneration options

There were nil options exercised during the year that were previously granted as remuneration (2018: nil).

Directors' report continued
for the year ended 30 June 2019

REMUNERATION REPORT (AUDITED) CONTINUED

4. Share-based compensation continued

Share holdings

Details of all ordinary shares in Armour Energy Ltd at 30 June 2019 held by Key Management Personnel is set out below.

Directors/KMP	Balance at 1 July 2018	Granted as / in lieu of compensation	Options exercised	Net change other***	Balance at 30 June 2019
Nicholas Mather	3,647,968	-	-	-	3,647,968
Stephen Bizzell	1,320,174	-	-	338,877	1,659,051
Roland Sleeman	58,333	-	-	-	58,333
William (Bill) Stubbs*	413,183	-	-	(413,183)	-
Roger Cressey	1,696,044	-	-	424,010	2,120,054
Karl Schlobohm	349,287	-	-	41,762	391,049
Richard Aden**	-	555,462	-	40,000	595,462
Richard Fenton**	-	265,330	-	115,957	381,287
Priy Jayasuriya**	84,439	-	-	(84,439)	-
Nathan Rayner**	-	316,045	-	-	316,045
	7,569,428	1,136,837	-	462,984	9,169,249

* Mr Stubbs retired on 27 November 2018. Mr Cressey resigned on 24 July 2019.

** Mr Fenton was employed between 16 July 2018 and 23 May 2019. Mr Rayner was employed between 26 November 2018 and 19 July 2019. Mr Harding-Smith ceased employment as CFO on 27 April 2018. Mr Jayasuriya was interim CFO from 28 April 2018 to 23 July 2018. Mr Aden commenced employment as CFO on 23 July 2018.

*** "Net change other" above includes the balance of shares held on appointment / resignation, shares issued in lieu of authorised bonuses, and shares acquired or sold for cash on similar terms and conditions to other shareholders

All other Directors and key management personnel, did not hold any shares in the Company at the start, during or at the end of the year.

There were no shares held nominally at 30 Jun 2019 (30 Jun 2018: nil).

Option holdings

Details of all option holdings in Armour Energy Ltd at 30 June 2019 held by Key Management Personnel is set out below.

Directors/KMP	Balance at 1 July 2018	Granted as remuneration	Options exercised	Net change other***	Balance at 30 June 2019	Total vested	Total vested and exercisable	Total vested and un-exercisable
Nicholas Mather	1,500,000	-	-	-	1,500,000	1,500,000	1,500,000	-
Stephen Bizzell	6,500,000	-	-	(5,000,000)	1,500,000	1,500,000	1,500,000	-
Roland Sleeman	750,000	-	-	-	750,000	750,000	750,000	-
William (Bill) Stubbs	750,000	-	-	(750,000)	-	-	-	-
Matthew Beach*	750,000	-	-	(750,000)	-	-	-	-
Roger Cressey	4,100,000	-	-	-	4,100,000	4,100,000	4,100,000	-
Karl Schlobohm	900,000	-	-	-	900,000	900,000	900,000	-
Peter Ashford	1,500,000	-	-	(1,500,000)	-	-	-	-
Priy Jayasuriya*	1,100,000	-	-	(1,100,000)	-	-	-	-
Peter Harding-Smith*	1,500,000	-	-	(1,500,000)	-	-	-	-
Luke Titus**	2,700,000	-	-	(2,700,000)				
	22,050,000	-	-	(13,000,000)	8,750,000	8,750,000	8,750,000	-

* Mr Beach ceased employment on 16 May 2018. The options held by Mr Beach were valid for 90 days following the termination date of 16 May 2018. Mr Ashford ceased employment on 20 July 2018. The options held by Mr Ashford were valid for 90 days following the termination date of 20 July 2018. Mr Harding-Smith ceased employment on 27 April 2018. The options held by Mr Harding-Smith were valid for 90 days following the termination date of 27 April 2018. Mr Jayasuriya was interim CFO from 28 April 2018 to 23 July 2018. Mr Aden and Mr Fenton commenced employment on the 23 July 2018 and 16 July 2018 respectively.

** In the prior year, Luke Titus was considered KMP however owing to a management restructure, he is not considered a KMP in the current year.

*** "Net Change Other" above includes the balance of options held on appointment / resignation, options acquired or sold for cash on similar terms and conditions to other shareholders, and options that have expired unexercised.

All other Directors and key management personnel, did not hold any options in the Company at the start, during or at the end of the year.

There were no options held nominally at 30 June 2019 (2018: nil).

5. Group performance and link to remuneration

During the financial year, the Group has generated losses as its principal activity was the discovery and production of world class oil and gas assets, as well as exploration for economically viable reserves of both conventional and unconventional natural oil and gas.

Armour Energy Limited listed on the ASX on 26 April 2012. The closing share price at 30 June 2019 was $0.067.

The earnings of the Group for the five years to 30 June 2019 are summarised below.

	2015 $	2016 $	2017 $	2018 $	2019 $
Sales revenue	115,040	153,569	572,600	14,748,819	27,819,335
Profit / (loss) after tax	(6,575,074)	(18,873,927)	(11,474,692)	(11,557,788)	(11,683,748)

Directors' report continued
for the year ended 30 June 2019

REMUNERATION REPORT (AUDITED) CONTINUED

5. Group performance and link to remuneration continued

The Group was in the exploration and development stage up until the 2018 financial year and as such, the link between remuneration, Group performance and shareholder wealth was tenuous. Share prices are subject to the influence of oil and gas prices and market sentiment toward the sector, and as such increases or decreases may occur quite independent of Executive performance or remuneration. The Group is currently in the production and development stage, therefore the link between Group performance and shareholder wealth should be more strongly linked in future years.

The factors that are considered to affect total shareholders return (TSR) are summarised below.

	2015	2016	2017	2018	2019
Share price at financial year end (cents)	5.0	6.0	7.0	9.0	6.7

6. Other transactions with key management personnel

Company debt instruments held by key management personnel

The number of convertible notes in the Company held during the financial year by each Director and other members of key management personnel of the Group, including their personally related parties, is set out below.

Convertible Note holdings	Balance at the start of the year	Received as part of remuneration	Additions	Disposals / other*	Balance at the end of the year
Nicholas Mather	9,813,550	-	-	(9,813,550)	-
Stephen Bizzell	10,130,239	-	-	(10,130,239)	-
Roger Cressey	2,594,911	-	-	(2,594,911)	-
Karl Schlobohm	632,951	-	-	(632,951)	-
Priy Jayasuriya	527,460	-	-	(527,460)	-
	23,699,111	-	-	(23,699,111)	-

Convertible Note payments	Interest $	Early redemption premium $	Disposal of convertible notes $	Total paid during 2019 $
Nicholas Mather	161,037	35,083	1,079,490	1,275,610
Stephen Bizzell	166,233	36,216	1,114,326	1,316,775
Roger Cressey	21,467	9,277	285,440	316,184
Karl Schlobohm	42,582	2,263	69,625	114,470
Priy Jayasuriya	8,655	1,886	58,021	68,562
	399,974	84,725	2,606,902	3,091,601

* The Company refinanced the convertible notes on issue on 29 March 2019 and the notes were redeemed at their face value. Refer to Note 23 for further details.

Corporate bond holdings	Balance at the start of the year	Received as part of remuneration	Additions*	Disposals / other*	Balance at the end of the year
Stephen Bizzell	-	-	100	-	100

Corporate bond payments	Interest $	Additions $	Disposals $	Total paid during 2019 $
Stephen Bizzell	2,127	-	-	2,127

* On 29 March 2019 the Company issued 55,000 new $1,000 corporate bonds, some of which were subscribed for by key management personnel. Refer to Note 23 for further details.

All other Directors and key management personnel, did not hold any debt instruments in the Company at the start, during or at the end of the year.

Other transactions with key management personnel and their related parties

Bizzell Capital Partners Pty Ltd

Mr Stephen Bizzell (a Director), is the Chairman of boutique corporate advisory and funds management group Bizzell Capital Partners Pty Ltd.

The Group entered into an agreement with Bizzell Capital Partners Pty Ltd as Lead Manager for the capital raising program detailed in an ASX announcement on 16 December 2016. Under the agreement, a management fee was payable of one (1) percent of the funds raised under the offer, a placement fee of five (5) percent of all new shares issued, an underwriting fee of five (5) percent of the value of shares underwritten in the entitlement offer, and an option fee of five (5) million options were issued.

Bizzell Capital Partners held 5,000,000 underwriting options which expired on 30 August 2018, as well as 10,130,239 convertible notes which were redeemed for cash on 29 March 2019. On 29 March 2019, Bizzell Capital Partners purchased 100 $1,000 corporate bonds in the FIIG refinance (refer to borrowing disclosures). As at 30 June 2019, Bizzell Capital Partners held nil options, nil convertible notes, and 100 corporate bonds (2018: 5,000,000 underwriting options, 10,130,239 convertible notes, and nil corporate bonds). The corporate bonds were purchased on the same terms and conditions as all other bondholders.

As detailed in ‘Events after the reporting period’, Armour Energy completed a private placement which raised gross proceeds of $4 million via the allotment of 80 million shares, with attaching unlisted options. Bizzell Capital Partners managed the private placement and is entitled to a capital raising fee on arm’s length terms. Bizzell Capital Partners is also entitled to receive an allotment of 8 million unlisted options exercisable at 8 cents through to 30 September 2023, subject to a resolution to be put to shareholders at the Company’s November 2019 Annual General Meeting.

During the year ended 30 June 2019, the Group also paid Bizzell Capital Partners corporate advisory fees of $55,625 for his involvement in the 2018 entitlement offer, and 2019 refinance of convertible notes (2018: nil).

Directors' report continued
for the year ended 30 June 2019

REMUNERATION REPORT (AUDITED) CONTINUED

6. Other transactions with key management personnel continued

Other transactions with key management personnel and their related parties continued

Samuel Holdings Pty Ltd and Bizzell Capital Partners Pty Ltd

Samuel Holdings Pty Ltd is an entity associated with the Company's Chairman, Nicholas Mather.

In August 2019, Armour completed an entitlement offer fully underwritten by Samuel Holdings Pty Ltd (as trustee). Samuel Holdings was paid a $1 underwriting fee, and a 3% sub-underwriting fee was payable by Armour on written sub-underwriting commitments. Bizzell Capital Partners held a sub-underwriting agreement and was responsible for any selling fees, stamping fees and sub-underwriting fees it had to pay out of the fees to other brokers or to sub-underwriters of the offers. The gross fees paid under this agreement to Bizzell Capital Partners for the year ended 30 June 2019 was $144,500 (2018: $704,100).

Other than the above, there were no other transactions with Key Management Personnel for the year ended 30 June 2019.

THIS CONCLUDES THE REMUNERATION REPORT, WHICH HAS BEEN AUDITED.

INDEMNITY AND INSURANCE OF OFFICERS

The Company has indemnified the Directors and Executives of the Company for costs incurred, in their capacity as a Director or Executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the Directors and Executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

INDEMNITY AND INSURANCE OF AUDITOR

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

EVENTS AFTER THE REPORTING DATE

Authority to Prospect ATP2046 Formally Awarded to Armour Energy Limited and Australia Pacific LNG Pty Ltd Joint Venture

As announced on 18 July 2019, the Queensland Department of Natural Resources, Mines and Energy (DNRME) formally awarded the Authority to Prospect – ATP2046 to a Joint Venture between Armour Energy Limited (10%) and Australia Pacific LNG Pty Ltd (APLNG) (90% and Operator).

ATP2046 is an 18km sqkms coal seam exploration tenure located 22km south-west of Chinchilla and adjoins APLNG's Talinga Project. The block was part of the first national tender where gas has been designated to be supplied exclusively to Australian domestic manufacturers, an initiative by the Queensland Government.

Resignation of CEO

Mr Roger Cressey, CEO of Armour Energy Limited, resigned on 24 July 2019.

2019 Well Program

As announced on 19 August 2019, the Group has entered into a contract for the drilling of two development wells for the Group's 100% owned Kincora Gas Project. This work program is a continuation of the 2018-2019 Phase 3 growth strategy which includes drilling of new wells and workover and stimulation of existing wells. These activities, together with any necessary further work on the Kincora Gas Plant, will assist Armour in progressing to its targeted 20 TJ/day gas sales.

The wells have been designed to a depth of approximately 2,100-meters (measured depth) and will target liquid-rich, overpressured Permian and Triassic conventional and tight gas sandstones. The first well, Myall Creek North 1 was spudded on 23 September 2019.

Capital raising

On 23 September 2019 the Company announced the successful close of a $4 million private placement via the allotment of 80 million shares at a price of 5 cents per share. Investors will also receive one (1) unlisted option exercisable at 8 cents per share (through to 30 September 2023) for every two (2) shares subscribed for in the placement. The proceeds of the private placement will be used by the Company to progress its Kincora Project field program, meet the costs of the raising, and for general working capital purposes.

The Company proposes to undertake an entitlement offer to existing shareholders, and will release full details in due course.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

DIVIDENDS

There were no dividends paid, recommended or declared during the current or previous financial year or since the end of the year.

ENVIRONMENTAL REGULATION

The Group is subject to significant environmental regulation in relation to its operations. The group has conducted an extensive review of the environmental status of the Surat Basin processing plant and associated exploration and production fields, used for the production of oil, gas, LPG and condensate, and has estimated the potential costs for future restoration and abandonment to be $6,688,065.

Directors' report continued
for the year ended 30 June 2019

ENVIRONMENTAL REGULATION CONTINUED

The Group has complied with the conditions of its various Environmental Licences to Operate under the Environmental Protection Act 1994, through the implementation of its Health, Safety & Environmental Management System (HSEMS) and assurance processes.

During the financial year, the Kincora Gas Project recorded one recordable incident and one prescribed incident. Armour Energy has not received any formal notices or penalties from regulatory authorities during the period but is still waiting for Regulator close out in regard to the prescribed incident (small uncontrolled gas leak).

Regulator Inspections of our operating sites by the Department of Natural Resources, Mines and Energy (DNRME) has not determined any regulatory noncompliance and the Group continues to work with the regulators to meet obligations.

Climate change

The Group recognises that the world is transitioning to a low-carbon future, and that climate change is an important political, social, environmental and commercial issue. In addition, the Company recognises the increasing level of investor and regulatory expectation that the particular risks faced by the Company – and its stance generally on climate change issues. Refer to the 'Review of Operations and Activities' for more information.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under Section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 42 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in Note 44 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF BDO

There are no officers of the Company who are former partners of BDO.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of the Group support and have adhered to the ASX corporate governance principles, where appropriate for the Company. The Group's corporate governance statement has been released as a separate document and is located on our website at armourenergy.com.au/corporategovernance.

This Directors' report is made in accordance with a resolution of Directors, pursuant to Section 298(2)(a) of the Corporations Act.

On behalf of the Directors:

Nicholas Mather
Chairman

27 September 2019
Brisbane

Directors' report continued
Auditor's independence declaration

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Australia

DECLARATION OF INDEPENDENCE BY T J KENDALL TO THE DIRECTORS OF ARMOUR ENERGY LIMITED

As lead auditor for the audit of Armour Energy Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Armour Energy Limited and the entities it controlled during the year.

T J Kendall
Director

BDO Audit Pty Ltd

Brisbane, 27 September 2019

Financial report

Consolidated statement of profit or loss and other comprehensive income

for the year ended 30 June 2019

	Notes	2019 $	2018 $
Revenue			
Revenue from contracts with customers	8	27,819,335	14,748,819
Cost of goods sold		(19,018,113)	(10,773,299)
Gross profit		8,801,222	3,975,520
Other income		208,722	184,984
Expenses			
General and administrative expenses		(6,174,435)	(4,671,721)
Exploration expenditure written off	17	(71,329)	(4,107)
Pre-production costs		-	(2,316,136)
Other expenses		(104,112)	(355,281)
Finance costs	26	(13,656,309)	(8,927,249)
Loss before income tax (expense) / benefit		(10,996,241)	(12,113,990)
Income tax (expense) / benefit	10	(687,507)	556,202
Loss after income tax (expense) / benefit for the year attributable to the owners of Armour Energy Limited		(11,683,748)	(11,557,788)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Change in fair value of financial assets at fair value through other comprehensive income	19	(2,126,990)	2,125,000
Income tax on items that may be reclassified to profit or loss	10	638,097	(637,500)
Other comprehensive income for the year, net of tax		(1,488,893)	1,487,500
Total comprehensive income for the year attributable to the owners of Armour Energy Limited		(13,172,641)	(10,070,288)
		Cents	Cents
Basic loss per share	11	(2.4)	(3.0)
Diluted loss per share	11	(2.4)	(3.0)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Financial report continued
Consolidated statement of financial position
as at 30 June 2019

	Notes	2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents	12	9,225,176	5,104,627
Trade and other receivables	14	2,667,516	2,385,069
Inventories	15	1,960,822	1,388,333
Other current assets		522,734	159,594
Total current assets		14,376,248	9,037,623
Non-current assets			
Exploration and evaluation assets	17	49,276,740	48,903,126
Oil and gas assets	18	42,344,331	30,987,611
Other financial assets	19	10,516,785	12,560,501
Property, plant and equipment		38,125	32,466
Total non-current assets		102,175,981	92,483,704
Total assets		**116,552,229**	**101,521,327**
Liabilities			
Current liabilities			
Trade and other payables	16	4,140,312	7,621,297
Convertible notes	23	-	1,543,466
Employee benefits	36	309,040	130,249
Other current liabilities		-	178,806
Borrowings	24	1,241,506	69,355
Deferred consideration	21	1,000,000	1,000,000
Total current liabilities		6,690,858	10,543,173
Non-current liabilities			
Borrowings	25	57,444,029	67,167
Convertible notes		-	37,511,879
Employee benefits	37	51,371	55,972
Provision for restoration and abandonment	20	6,688,065	6,688,065
Deferred consideration	22	919,143	1,809,240
Total non-current liabilities		65,102,608	46,132,323
Total liabilities		**71,793,466**	**56,675,496**
Net assets		**44,758,763**	**44,845,831**
Equity			
Issued capital	29	106,538,828	96,367,882
Reserves	30	3,268,695	7,474,762
Retained earnings / (accumulated losses)		(65,048,760)	(58,996,813)
Total equity		**44,758,763**	**44,845,831**

The above consolidated statement of financial position sould be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

for the year ended 30 June 2019

	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2017	91,301,423	5,188,617	(47,439,025)	49,051,015
Loss after income tax benefit for the year	-	-	(11,557,788)	(11,557,788)
Other comprehensive income for the year, net of tax	-	1,487,500	-	1,487,500
Total comprehensive income for the year	-	1,487,500	(11,557,788)	(10,070,288)
Transactions with owners in their capacity as owners:				
Value of conversion rights – convertible notes, net of issue costs	-	457,627	-	457,627
Shares issued during the year	5,256,156	-	-	5,256,156
Share issue costs	(270,995)	-	-	(270,995)
Recognition of deferred tax assets in relation to share issue costs	81,298	-	-	81,298
Share-based payments	-	341,018	-	341,018
Balance at 30 June 2018	96,367,882	7,474,762	(58,996,813)	44,845,831
Balance at 1 July 2018	96,367,882	7,474,762	(58,996,813)	44,845,831
Loss after income tax benefit for the year	-	-	(11,683,748)	(11,683,748)
Other comprehensive income for the year, net of tax	-	(1,488,893)	-	(1,488,893)
Total comprehensive income for the year	-	(1,488,893)	(11,683,748)	(13,172,641)
Transactions with owners in their capacity as owners:				
Value of conversion rights – convertible notes, net of issue costs	-	(20,520)	-	(20,520)
Value of conversion rights – Tribeca Loan facility, net of issue costs	-	2,893,012	-	2,893,012
Transfer of conversion rights on redemption of convertible notes	-	(5,381,802)	5,381,801	(1)
Convertible notes converted into shares	154,126	-	-	154,126
Shares issued during the year	10,265,776	-	-	10,265,776
Share issue costs	(298,366)	-	-	(298,366)
Recognition of deferred tax assets relating to share issue costs	49,410	-	-	49,410
Reserve transfer – expired share-based payments	-	(250,000)	250,000	-
Share-based payments	-	42,136	-	42,136
Balance at 30 June 2019	106,538,828	3,268,695	(65,048,760)	44,758,763

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Financial report continued
Consolidated statement of cash flows
for the year ended 30 June 2019

	Notes	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		30,029,497	13,711,037
Payments to suppliers and employees (inclusive of GST)		(28,593,632)	(6,126,900)
Payments for production		(2,635,131)	(8,035,624)
Interest received		203,791	170,623
Interest paid		(47)	-
Other income		8,884	22,849
Net cash used in operating activities	13	(986,638)	(258,015)
Cash flows from investing activities			
Reductions in security deposits		12,000	-
Payments for security deposits		(226,079)	(441,511)
Payments for property, plant and equipment		(22,187)	(18,759)
Payments for oil and gas assets		(16,713,985)	(11,909,298)
Payments for exploration and evaluation		(169,367)	(433,609)
Grant funds received in relation to oil and gas assets		3,431,165	2,551,555
Research and Development funds in relation to oil and gas assets		-	1,958,526
Research and Development funds in relation to exploration assets		-	26,592
Net cash used in investing activities		(13,688,453)	(8,266,504)
Cash flows from financing activities			
Proceeds from issue of shares	29	10,138,450	3,752,307
Proceeds from issue of corporate bond	25	55,000,000	-
Proceeds from borrowings	25	6,759,200	6,870,000
Repayment of borrowings	13	(43,388,436)	(4,019,592)
Transaction costs on the issue of shares and notes		(2,954,495)	(685,409)
Interest and other finance costs paid		(6,759,079)	-
Net cash from financing activities		18,795,640	5,917,306
Net increase / (decrease) in cash and cash equivalents		4,120,549	(2,607,213)
Cash and cash equivalents at the beginning of the financial year		5,104,627	7,711,840
Cash and cash equivalents at the end of the financial year	12	9,225,176	5,104,627

The above statements of cash flows should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

Basis of preparation

Financial performance

Working capital management

Resource assets

Capital structure

Group and related party information

Employee matters

Other

Financial report continued

Notes to the consolidated financial statements continued

NOTE 1. GENERAL INFORMATION

Armour Energy Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is Level 27, 111 Eagle Street, Brisbane QLD 4000.

The financial statements cover Armour Energy Limited as a Group consisting of Armour Energy Limited and the entities it controlled at the end of, or during, the reporting period. The financial statements are presented in Australian dollars, which is Armour Energy Limited's functional and presentation currency.

The Group is principally engaged in the exploration, development and production of oil and gas resources in Australia.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 27 September 2019. The Directors have the power to amend and reissue the financial statements.

NOTE 2. STATEMENT OF COMPLIANCE

The Group's Financial Statements as at and for the year ended 30 June 2019:

- is a general purpose financial report;
- is prepared on a going concern basis (discussed further in Note 4);
- has been prepared in accordance with the Corporations Act 2001;
- has been prepared in accordance with accounting standards and interpretations in this report, which encompass the:
  - Australian Accounting Standards (AASBs) and other authoritative pronouncements of the Australian Accounting Standards Board; and
  - International Financial Reporting Standards and Interpretations (IFRS) as issued by the International Accounting Standards Board (IASB);
- has been prepared under the historical cost convention, except for, the revaluation of financial assets at fair value through other comprehensive income. The methods used to measure fair values are discussed further in Note 27;
- is presented in Australian Dollars (AUD), which is both the Company's and the Group's presentation currency;
- includes significant accounting policies in the notes to the Financial Statements that summarise the recognition and measurement basis used and are relevant to the understanding of the Financial Statements;
- presents reclassified comparative information where required for consistency with the current year's presentation;
- adopts all new and amended standards and interpretations issued by the relevant bodies (listed above), that are mandatory for application beginning on or after 1 July 2018. None had a significant impact on the Financial Statements; and
- has not early adopted any standards and interpretations that have been issued or amended but are not yet effective.

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or over the page. These policies have been consistently applied to all the years presented, unless otherwise stated.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in the relevant notes.

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in Note 33.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Armour Energy Limited (the **Company** or the **parent entity**) as at 30 June 2019 and the results of all subsidiaries for the year then ended. Armour Energy Limited and its subsidiaries together are referred to in these financial statements as the **Group**.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

CURRENT AND NON-CURRENT CLASSIFICATION

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Financial report continued
Notes to the consolidated financial statements continued

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED
JOINT OPERATIONS

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group entered into joint arrangement with various parties for interest in exploration tenements as disclosed above. Exploration expenditures incurred in relation to these joint operations have been capitalised in accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*.

LEASES

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non- financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

NOTE 4. GOING CONCERN

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business.

The Group has achieved stable production during the last 12 months, resulting in $27,819,335 of revenue during the year. The group is forecasting to significantly increase revenue over the coming 12 months due to implementation of a multi-stage field development plan designed to exploit the Group's reserves.

For the year ended 30 June 2019, the Group generated a consolidated loss of $11,683,748 and incurred net operating cash outflows of $986,638. As at 30 June 2019 the Group had cash and cash equivalents of $9,225,176 net current assets of $7,685,390 and net assets of $44,758,763.

Whilst there is growing confidence in the performance of the Kincora Gas Plant and the future ramp up of production from the Kincora Gas Project, at the date of signing these accounts the above conditions give rise to a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

Notwithstanding the above, the Directors consider it appropriate to prepare the financial statements on a going concern basis after having regard to the following matters:

- as announced on 27 March 2019 the Company was refinanced by redeeming the balance of the convertible notes on issue at the start of the year (375,200,950 notes) and issuing convertible notes with secured notes and provide additional working capital for the Group to continue the development of the Kincora Project;
- on 23 September 2019 the Company announced the successful close of a $4 million private placement via the allotment of 80 million shares at a price of 5 cents per share. Investors will also receive one (1) unlisted option exercisable at 8 cents per share (through to 30 September 2023) for every two (2) shares subscribed for in the placement. The proceeds of the private placement will be used by the Company to progress its Kincora Project field program, meet the costs of the raising, and for general working capital purposes;
- the cash generating ability of the Kincora Project will continue to increase as the Group has moved into Phase 3 of its growth strategy to increase production levels; and
- the implementation of the field development plan will require capital investment, and the Group has the ability to manage capital and liquidity by taking some or all of the following actions:
  - raising additional capital or securing other forms of financing, as and when necessary to meet the levels of expenditure required to meet the Group's working capital requirements;
  - reducing its level of capital expenditure through farm-outs and/or joint ventures;
  - managing its working capital expenditure;
  - applying for eligible Research and Development tax refund receipts, and other Government incentives; and
  - disposing of non-core assets.

Should the Group be unable to continue as a going concern, it may be required to realise its assets and liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

Financial report continued
Notes to the consolidated financial statements continued

NOTE 4. GOING CONCERN CONTINUED

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amount and classification of liabilities that might be required should the Group not be able to achieve the matters set out on the previous page and thus be able to continue as a going concern.

NOTE 5. USE OF ESTIMATES AND JUDGEMENTS

The Group has identified a number of critical accounting policies under which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions. This may materially affect financial results and the carrying amount of assets and liabilities to be reported in the next and future periods. These estimates and underlying assumptions are reviewed on an ongoing basis.

Additional information relating to these critical accounting policies is embedded within the following notes:

Note 10	Deferred tax assets
Note 17	Exploration and evaluation assets
Note 18	Oil and Gas assets
Note 18	Government Grants
Note 20	Provision for rehabilitation

There are no other critical accounting judgements, estimates and assumptions that are likely to affect the current or future financial years.

NOTE 6. COMPARATIVES

There were no reclassifications to the prior year's consolidated statement of profit or loss and other comprehensive income.

NOTE 7. OPERATING SEGMENTS

IDENTIFICATION OF REPORTABLE OPERATING SEGMENTS

The Group has identified its operating segment based on the internal reports that are reviewed and used by the Board (chief operating decision makers or **CODM**) in assessing performance and determining the allocation of resources. The Group is managed primarily on a geographic basis, which is the location of the respective areas of interest (tenements) in Queensland and the Northern Territory, Australia. Operating segments are determined on the basis of financial information reported to the Board.

For the year ended 30 June 2019, Management identifies the Group as having two reportable segments, being exploration activities (Exploration & Evaluation), and the production and development of petroleum products (oil, gas, LPG and condensate) in the Surat Basin, Queensland (Production & Development), and will report on these segments accordingly.

Unallocated / corporate segments represent administration and other overheads that are not allocated to an operating segment activity.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation) on a monthly basis. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information is reported to the CODM on a monthly basis.

TYPES OF PRODUCTS AND SERVICES

The principal products and services of each of these operating segments are as follows:

Production & Development	The Group produces petroleum products from its Kincora operating plant, including oil, gas, LPG and condensate and sells these to customers.
Exploration & Evaluation	The Group does not produce any products or services from this operating segment; it involves expenditure to explore, and evaluate potential future economic reserves and resources.

INTERSEGMENT TRANSACTIONS

An internally determined cost base is set for all intersegment services provided. All such transactions are eliminated on consolidation into the Group's financial statements.

INTERSEGMENT RECEIVABLES, PAYABLES AND LOANS

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Intersegment assets

Segment assets are clearly identifiable based on their nature and physical location.

Intersegment liabilities

Liabilities are allocated to segments where there is a direct nexus between the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the whole Group and are not allocated. Segment liabilities include trade and other payables and certain provisions.

MAJOR CUSTOMERS

During the year ended 30 June 2019 approximately 69% (2018: 75%) of the Group's external revenue was derived from sales to one Australian-based customer.

Unallocated items

The following items of income, expenses, assets and liabilities are not allocated to operating segments as they are not considered core to the operation of any segment:

- corporate head office costs and salaries of non-site based staff; and
- proceeds from capital raisings, and associated convertible note debt.

Financial report continued
Notes to the consolidated financial statements continued

NOTE 7. OPERATING SEGMENTS CONTINUED
OPERATING SEGMENT INFORMATION

30 June 2019	Exploration & Evaluation $	Production & Development $	Unallocated/ Corporate $	Total $
Revenue				
Revenue from contracts with customers	-	27,819,335	-	27,819,335
Total revenue	-	27,819,335	-	27,819,335
EBITDA	(2,656)	9,475,472	(5,736,336)	3,736,480
Depreciation and amortisation	-	(1,116,869)	(18,763)	(1,135,632)
Impairment of assets	(71,329)	-	-	(71,329)
Loss on disposal of assets	-	(61,976)	-	(61,976)
Interest revenue	-	-	192,524	192,524
Finance costs	-	(1,598,349)	(12,057,959)	(13,656,308)
Profit / (loss) before income tax expense	(73,985)	6,698,278	(17,620,534)	(10,996,241)
Income tax expense				(687,507)
Loss after income tax expense				(11,683,748)
Assets				
Segment assets	49,276,740	57,549,813	-	106,826,553
Unallocated assets:				
Unallocated assets				9,725,676
Total assets				116,552,229
Liabilities				
Segment liabilities	17,091	16,332,534	-	16,349,625
Unallocated liabilities:				
Unallocated liabilities				55,443,841
Total liabilities				71,793,466

30 June 2018	Exploration & Evaluation $	Production & Development $	Unallocated/ Corporate $	Total $
Revenue				
Revenue from contracts with customers	-	14,748,819		14,748,819
Total revenue	-	14,748,819	-	14,748,819
EBITDA	(1,679)	1,259,093	(3,723,502)	(2,466,088)
Depreciation and amortisation	-	(893,309)	(3,130,618)	(4,023,927)
Impairment of assets	(4,107)	-	-	(4,107)
Interest revenue	-	-	162,135	162,135
Finance costs	-	(25,051)	(5,756,952)	(5,782,003)
Profit / (loss) before income tax expense	(5,786)	340,733	(12,448,937)	(12,113,990)
Income tax benefit				556,202
Loss after income tax expense				(11,557,788)
Assets				
Segment assets	54,022,045	46,411,160	-	100,433,205
Unallocated assets:				
Unallocated assets				1,088,122
Total assets				101,521,327
Liabilities				
Segment liabilities	-	15,821,268	-	15,821,268
Unallocated liabilities:				
Convertible notes payable				39,055,344
Unallocated liabilities				1,798,884
Total liabilities				56,675,496

Financial report continued
Notes to the consolidated financial statements continued

NOTE 7. OPERATING SEGMENTS CONTINUED
ACCOUNTING POLICY FOR OPERATING SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision makers (CODM) to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This may include start-up operations which are yet to earn revenues.

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the CODM.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 *Operating Segments* are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

NOTE 8. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2019 $	2018 $
Revenue		
Revenue from contracts with customers	27,819,335	14,748,819

DISAGGREGATION OF REVENUE

The Group generated revenue from the sale of petroleum products, which are derived from the same production process, have materially similar performance obligations and are for goods that have been transferred at a point in time. Therefore, no disaggregation of revenue by product line or recognition method has been presented.

	2019 $	2018 $
Revenue from contracts with customers:		
Sale of petroleum products (Kincora Project)	27,819,335	14,748,819

ACCOUNTING POLICY FOR REVENUE

The Group recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Revenue recognition with respect to the Group's specific business activities are as follows:

Sale of goods

The Group satisfies its performance obligation at the point in time when control of oil and gas products has transferred to the customer. Specifically:

- for oil and LPG sales this is when the products are collected by truck at the production site; and
- for gas sales this is at the point of the custody transfer meter at Run 2 of the Roma to Brisbane Pipeline (RBP).

Revenue on sale of goods is variable depending on physical production amounts, and is due by the customer within 30 days from the end of the invoiced month.

Interest

Interest revenue is recognised as interest accrues using the effective interest rate method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Financial report continued
Notes to the consolidated financial statements continued

NOTE 9. EXPENSES

	2019 $	2018 $
Loss before income tax includes the following specific expenses:		
Cost of sales		
Operating expenses	19,018,113	10,773,299
Depreciation		
Plant and equipment	3,042	14,385
Motor vehicles	-	120
Office equipment	15,721	5,962
Oil and Gas assets – classified as pre-production costs	-	136,457
Oil and Gas assets – classified as cost of goods sold	1,116,869	722,027
Total depreciation	1,135,632	878,951
Impairment		
Exploration and evaluation	71,329	4,107
Net foreign exchange (gains) / loss		
Net foreign exchange loss	(54,702)	16,126
Superannuation expense		
Defined contribution superannuation expense	599,120	224,549
Share-based payments expense		
Share-based payments expense	42,136	341,018
Employee benefits expense excluding superannuation		
Employee benefits expense excluding superannuation	7,707,593	2,824,452

NOTE 10. INCOME TAX

(a) Component of income tax expense / (benefit)	2019 $	2018 $
Income tax expense / (benefit) is made up of:		
Deferred tax	687,507	(556,202)
Aggregate income tax expense / (benefit)	687,507	(556,202)
The prima facie tax on profit / (loss) before income tax is reconciled to the income tax expense as follows:		
Loss before income tax (expense) / benefit	(10,996,241)	(12,113,990)
Tax at the statutory tax rate of 30%	(3,298,872)	(3,634,197)
Tax effect amounts which are not deductible / (taxable) in calculating taxable income:		
Share-based payments	12,641	102,306
Expenses not deductible for tax purposes	351	5,351
Current year tax losses not recognised	3,102,461	2,101,344
Prior year over / (under)	147,659	141,117
Deferred Tax Asset utilised following R&D cash back	723,267	727,877
Income tax expense / (benefit)	687,507	(556,202)

Financial report continued
Notes to the consolidated financial statements continued

NOTE 10. INCOME TAX CONTINUED

(b) Reconciliation of net deferred tax	Opening balance 1 July 2018	Net charged to income	Net charged to other comprehensive income	Net charged to equity	Closing balance 30 June 2019
Current year					
Deferred tax asset					
Carried forward losses	12,196,242	(3,691,154)	-	-	8,505,088
Accruals/ Provisions	145,081	60,803	-	-	205,884
Property, Plant & Equipment (Armour)	12,572	-	-	-	12,572
Capital raising costs through P&L	203,757	(94,760)	-	-	108,997
Capital raising costs in equity	65,523	(26,626)	-	49,410	88,307
Provision for rehabilitation	1,378,837	-	-	-	1,378,837
Financial assets at fair value through other comprehensive income	143,830	-	638,097	-	781,927
Amortisation of Convertible Notes	834,970	526,561	-	-	1,361,531
Amortisation of Tribeca Facility	-	264,504	-	-	264,504
Potential benefit at 30%	14,980,812	(2,960,672)	638,097	49,410	12,707,647
Deferred tax liability					
Exploration & Evaluation assets	(13,551,293)	521,969	-	-	(13,029,324)
Oil & Gas assets	(1,429,519)	1,751,196	-	-	321,677
Potential benefit at 30%	(14,980,812)	2,273,165	-	-	(12,707,647)
Net deferred tax	-	(687,507)	638,097	49,410	-
Deferred tax assets not recognised					
Unused tax losses	30,127,464	9,704,437	-	-	39,831,901
Tax benefit at 30%	9,038,239	2,911,331	-	-	11,949,570

(b) Reconciliation of net deferred tax continued	Opening balance 1 July 2017	Net charged to income	Net charged to other comprehensive income	Net charged to equity	Closing balance 30 June 2018
Prior year					
Deferred tax asset					
Carried forward losses	13,059,533	(863,291)	-	-	12,196,242
Accruals/ Provisions	36,643	108,438	-	-	145,081
Property, Plant & Equipment (Armour)	13,082	(510)	-	-	12,572
Capital raising costs through P&L	257,203	(53,446)	-	-	203,757
Capital raising costs in equity	1,188	(16,963)	-	81,298	65,523
Provision for rehabilitation	1,378,837	-	-	-	1,378,837
Financial assets at fair value through other comprehensive income	781,330	-	(637,500)	-	143,830
Amortisation of Convertible Notes	147,173	687,797	-	-	834,970
Potential benefit at 30%	15,674,989	(137,975)	(637,500)	81,298	14,980,812
Deferred tax liability					
Exploration & Evaluation assets	(14,014,292)	462,999	-	-	(13,551,293)
Oil & Gas assets	(1,660,697)	231,178	-	-	(1,429,519)
Potential benefit at 30%	(15,674,989)	694,177	-	-	(14,980,812)
Deferred tax assets not recognised					
Unused tax losses	23,122,984	7,004,480	-	-	30,127,464
Provision for rehabilitation	1,040,451	-	-	-	1,040,451
Tax benefit at 30%	7,249,031	2,101,344	-	-	9,350,375

In order to recoup carried forward losses in future periods, either the Continuity of Ownership Test (**COT**) or Same Business Test (**SBT**) must be passed. The majority of losses are carried forward at 30 June 2019 under COT.

Deferred tax assets which have not been recognised as an asset, will only be obtained if:

a) the Group derives future assessable income of a nature and of an amount sufficient to enable the losses to be realised;
b) the Group continues to comply with the conditions for deductibility imposed by the law; and
c) no changes in tax legislation adversely affect the Group in realising the losses.

(c) Petroleum Resources Rent Tax

On 19 March 2012, the Australian Government passed through the Senate, the Petroleum Resource Rent Tax Act 2012, with application to certain profits arising from petroleum extracted in Australia. In broad terms, the tax was imposed on a project-by-project basis. A bill was introduced in the Australian Parliament on 13 February 2019 to reform the Petroleum Rent Resource Tax (**PRRT**) measures in Australia. Schedule 2 of the reform bill relates to onshore petroleum projects, and from 1 July 2019 PRRT will cease to apply. The reform subsequently received Royal Assent and was enacted on 5 April 2019 without any amendments.

Financial report continued
Notes to the consolidated financial statements continued

NOTE 10. INCOME TAX CONTINUED
KEY JUDGEMENT – DEFERRED TAX ASSETS

In determining the recoverability of the recognised deferred tax assets, management has assessed that it will be utilised through eligible expenditure under the research and development grant. To the extent that the Group does not have sufficient eligible expenditure the ability to utilise the net deferred tax assets could be impacted.

ACCOUNTING POLICY FOR INCOME TAX

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Armour Energy Limited (the **head entity**) and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

ACCOUNTING POLICY FOR GOODS AND SERVICES TAX (GST) AND OTHER SIMILAR TAXES

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

NOTE 11. EARNINGS PER SHARE

Options are not considered dilutive as they are currently out of the money. Options may become dilutive in the future.

	2019	2018
	$	$
Loss after income tax attributable to the owners of Armour Energy Limited	(11,683,748)	(11,557,788)
	Number	Number
Weighted average number of ordinary shares used in calculating basic loss per share	487,281,207	383,160,387
Weighted average number of ordinary shares used in calculating diluted loss per share	487,281,207	383,160,387
	Cents	Cents
Basic loss per share	(2.4)	(3.0)
Diluted loss per share	(2.4)	(3.0)

Options are not considered dilutive due to losses made by the Group. Options and conversion of convertible notes into equity may become dilutive in the future.

ACCOUNTING POLICY FOR EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Armour Energy Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

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NOTE 12. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	2019 $	2018 $
Cash on hand	31,019	-
Cash at bank and in hand	9,076,454	5,059,171
Other cash and cash equivalents	117,703	45,456
	9,225,176	5,104,627

Other cash and cash equivalents includes bank accounts held by the Group as operator in joint operations in tenements.

ACCOUNTING POLICY FOR CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

NOTE 13. CASH FLOW INFORMATION

(a) Reconciliation of loss after income tax to net cash used in operating activities	2019 $	2018 $
Loss after income tax (expense) / benefit for the year	(11,683,748)	(11,557,788)
Adjustments for:		
Depreciation and amortisation	1,135,632	878,681
Net loss on disposal of property, plant and equipment	61,976	-
Share-based payments	42,136	376,019
Write off of exploration and evaluation expenditure	71,329	4,107
Interest expense on borrowing facilities	6,425,620	5,666,559
Amortisation of borrowing facilities and issue costs	3,417,558	3,043,581
Unwinding of the discount on deferred consideration	109,902	34,825
Expenses classified as financing activities	102,966	66,840
Financing fees capitalised to loan	-	58,227
Cost of convertible note early redemption	3,760,165	-
Change in operating assets and liabilities*:		
(Increase) / decrease in other current assets	(374,030)	244,580
Increase / (decrease) in trade and other payables	(2,640,558)	3,438,833
(Increase) in trade and other receivables	(380,707)	(2,086,816)
(Increase) / decrease in deferred tax assets	687,507	(556,202)
(Increase) / decrease in inventories	(648,881)	-
Increase / (decrease) in provisions	(1,073,505)	130,539
Net cash used in operating activities	(986,638)	(258,015)

* Net of amounts relating to oil and gas, and exploration and evaluation assets

Equity settled share based payment transactions are disclosed in Note 29.

Apart from the above and the table at left, there are no other non-cash financing and investing activities to disclose.

(b) Reconciliation of liabilities arising from financing activities	Convertible note liabilities $	Convertible note coupons $	Lease liabilities $	Tribeca Loan $	Corporate Bonds $	Total $
Balance at 1 July 2017	26,388,489	829,716	-	2,057,799	-	29,276,004
Net cash from / (used in) financing activities	6,870,000	(2,872,609)	(146,983)	(1,000,000)	-	2,850,408
Additions	-	-	281,797	-	-	281,797
Transaction costs	(412,200)	-	-	-	-	(412,200)
Equity settled	(457,627)	-	-	(1,116,026)	-	(1,573,653)
Amortisation	3,043,583	-	-	-	-	3,043,583
Accrued interest during the year	-	5,666,559	-	-	-	5,666,559
Capitalised interest	2,079,634	(2,079,634)	-	58,227	-	58,227
Other changes*	-	(566)	1,708	-	-	1,142
Balance at 30 June 2018	37,511,879	1,543,466	136,522	-	-	39,191,867
Net cash from / (used in) financing activities	(43,388,436)	(6,205,956)	(69,355)	6,759,200	55,000,000	12,095,453
Transaction costs	-	-	-	(137,219)	(2,350,866)	(2,488,085)
Equity settled	(154,126)	-	-	(2,893,012)	-	(3,047,138)
Amortisation	2,270,518	-	-	919,597	117,543	3,307,658
Accrued interest during the year	-	4,662,490	-	-	1,203,125	5,865,615
Cost of convertible note early redemptions	3,760,165	-	-	-	-	3,760,165
Balance at 30 June 2019	-	-	67,167	4,648,566	53,969,802	58,685,535

* Other changes from the year ending June 2017 include:
Convertible note coupon interest withheld from a noteholder due to no tax file number declared $566. Lease liabilities of $1,708 represents the GST receivable due on payments.

NOTE 14. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	2019 $	2018 $
Trade receivables	2,698,854	2,373,730
Trade receivables – future receivables from JV parties	(30,676)	1,034
	2,668,178	2,374,764
Other receivables	(3,432)	7,535
Withholding tax receivables	2,770	2,770
	2,667,516	2,385,069

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NOTE 14. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES CONTINUED

ALLOWANCE FOR EXPECTED CREDIT LOSSES

The Group has not recognised any expense in profit or loss in respect of the expected credit losses for the year ended 30 June 2019 (30 June 2018: Nil). Based on the historical recovery of receivables, the small number of customers and customer payment obligations per gas sales agreements, the company considers that no allowance for expected credit losses is appropriate for the Group.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2019	2018	2019	2018	2019	2018
	%	%	$	$	$	$
Not overdue	-	-	2,667,516	2,385,069	-	-

ACCOUNTING POLICY FOR TRADE AND OTHER RECEIVABLES

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30- 60 days.

Due to the short term nature of these receivables, their carrying value is assumed to approximate fair value. The maximum exposure to credit risk is the carrying value of receivables. Collateral is not held as security, and the receivables are not exposed to foreign exchange risk.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

As at 30 June 2019, included in trade receivables is one significant debtor accounting for approximately 72% (2018: 70%) of the total trade receivables.

NOTE 15. CURRENT ASSETS – INVENTORIES

	2019	2018
	$	$
Finished goods – at cost	523,401	742,091
Stock on hand – at cost	1,437,421	646,242
	1,960,822	1,388,333

ACCOUNTING POLICY FOR INVENTORIES

Oil and Gas inventory is measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of Oil and Gas inventory includes direct materials, direct labour, transportation costs and variable and fixed overhead costs related to production activities.

Consumable inventory on hand is stated at the lower of cost and net realisable value. Net realisable value is the estimated recoverable price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of consumable inventory comprises purchase and delivery costs, net of rebates and discounts received or receivable.

NOTE 16. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	2019 $	2018 $
Trade payables	2,613,838	5,596,251
Other tax liabilities	33,827	566
GST payable	114,576	41,751
Accrued expenses	1,378,071	1,982,729
	4,140,312	7,621,297

Refer to Note 28 for further information on financial risk management.

ACCOUNTING POLICY FOR TRADE AND OTHER PAYABLES

These amounts represent financial liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid.

Financial liabilities are carried at amortised cost and are initially measured at fair value including transaction costs. They are subsequently measured at amortised cost using the effective interest rate method.

Details on how the fair value of financial instruments is determined are disclosed in Note 27.

Trade payables are non-interest bearing and are generally on 30-60 days terms. Due to their short-term nature trade and other payables are not discounted.

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NOTE 17. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION ASSETS

	2019 $	2018 $
Exploration and evaluation assets	56,067,164	55,648,397
Less: Accumulated impairment	(6,790,424)	(6,745,271)
	49,276,740	48,903,126
Movements in carrying amounts		
Balance at the beginning of the year	48,903,126	48,596,996
Additions	490,096	336,829
Research & Development grants relating to exploration	-	(26,592)
Exploration expenditure written off	(71,329)	(4,107)
Provision for impairment	(45,153)	-
	49,276,740	48,903,126
Movements in the provision for impairment amounts		
Balance at the beginning of the year	(6,745,271)	(6,745,271)
Provisions (raised) / released	(45,153)	-
	(6,790,424)	(6,745,271)

PROVISION FOR IMPAIRMENT OF EXPLORATION AND EVALUATION ASSETS

On 30 August 2016, the Victorian Government announced a permanent ban on the exploration and development of all onshore unconventional gas in Victoria, including hydraulic fracturing and coal seam gas.

The Government also plans to legislate an extension of the current moratorium on the exploration and development of conventional onshore gas until 30 June 2020, with hydraulic fracturing to remain banned. During this time, the Government will undertake extensive scientific, technical and environmental studies on the risks, benefits and impacts of onshore gas.

Following this announcement, the Group carried out an impairment review of the Victorian exploration and evaluation assets, and as a result, an impairment loss was recognised in the profit or loss in the year ended 30 June 2016. During the year an additional provision of $45,153 was raised for capitalised Victorian exploration costs.

KEY JUDGEMENTS – CARRYING VALUE OF EXPLORATION AND EVALUATION ASSETS

The Group performs regular reviews on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. These reviews are based on detailed surveys and analysis of drilling results performed to balance date.

The Directors have assessed that for the exploration and evaluation assets recognised at 30 June 2019, the facts and circumstances do not suggest that the carrying amount of an asset may exceed its recoverable amount. In considering this the Directors have had regard to the facts and circumstances that indicate a need for impairment as noted in AASB 6 *Exploration for and Evaluation of Mineral Resources*.

ACCOUNTING POLICY FOR EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure but do not include overheads or administration expenditure not having a specific nexus with a particular area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active or significant operations in relation to the area are continuing.

A regular review has been undertaken on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

A provision is raised against exploration and evaluation expenditure where the Directors are of the opinion that the carried forward net cost may not be recoverable or the right of tenure in the area lapses. The increase in the provision is charged against the results for the year. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are transferred to oil and gas assets, and amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

NOTE 18. NON-CURRENT ASSETS – OIL AND GAS ASSETS

	2019 $	2018 $
Oil & gas assets – at cost	53,072,117	37,537,394
Less: Accumulated amortisation	(2,872,907)	(1,814,145)
	50,199,210	35,723,249
Less: R&D grants relating to Oil & gas assets	(2,416,043)	(2,416,043)
Less: GAP grants relating to Oil & gas assets	(5,438,836)	(2,319,595)
	(7,854,879)	(4,735,638)
	42,344,331	30,987,611

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NOTE 18. NON-CURRENT ASSETS – OIL AND GAS ASSETS CONTINUED

	2019 $	2018 $
Movements in carrying amounts		
Balance at the beginning of the year	30,987,611	23,670,848
Additions	15,666,066	12,453,368
Disposals	(73,237)	-
Depreciation charge	(1,116,869)	(858,484)
R&D grants relating to Oil and Gas assets	-	(1,958,526)
Gas Acceleration Program grants relating to Oil and Gas assets	(3,119,240)	(2,319,595)
	42,344,331	30,987,611

ACCOUNTING POLICY FOR OIL AND GAS ASSETS

Capitalised oil and gas assets are development costs and expenditures incurred to develop new wells; to define further moveable hydrocarbons in existing tenement areas; to expand the capacity of the project and to maintain production. Development costs also includes costs transferred from the exploration and evaluation phase once production commences in the area of interest.

Amortisation of oil and gas assets is computed by the units of production basis over the estimated proved and probable reserves. Proved and probable reserves reflect estimated quantities of economically recoverable reserves which can be recovered in the future from known mineral deposits. These reserves are amortised from the date on which production commences. The amortisation is calculated from recoverable proven and probable reserves and a predetermined percentage of the recoverable measured, indicated and inferred resource. This percentage is reviewed annually.

Restoration costs expected to be incurred are provided for as part of development phase that give rise to the need for restoration. These costs are amortised along with other capitalised oil and gas expenditures as described above.

KEY JUDGEMENT – OIL AND GAS ASSETS

The Group assesses impairment of oil and gas assets at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Where applicable, value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

KEY JUDGEMENT – GOVERNMENT GRANTS

The Group was a successful applicant under the Federal Government Gas Acceleration Program (**GAP**), which is designed to provide businesses with funding grants to accelerate the responsible development of onshore natural gas for domestic gas consumers. The GAP grant will enable the Group to accelerate development of its Kincora Project reserves by accelerating the delivery of 3 production wells in the 2018/2019 drilling program. The Group received the first tranche of funding in June 2018.

AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance* defines grants related to assets as government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets. Subsidiary conditions may also be attached restricting the type or location of the assets or the periods during which they are to be acquired or held. In accordance with AASB 120, Management has determined that it is appropriate to deduct any grant monies received from the carrying amount of the asset, which is accounted for as an exploration and evaluation asset where it meets the relevant recognition criteria.

NOTE 19. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

	2019 $	2018 $
Financial assets at fair value through other comprehensive income	2,125,010	4,252,000
Financial assurances	6,988,181	6,952,907
Security deposits	1,403,594	1,355,594
	10,516,785	12,560,501
Movements in financial assets at fair value through other comprehensive income		
Opening balance at 1 July	4,252,000	2,127,000
Fair value adjustments through other comprehensive income	(2,126,990)	2,125,000
	2,125,010	4,252,000

Financial assets at fair value through other comprehensive income comprise investments in the ordinary capital of Lakes Oil NL and Aus Tin Mining Limited, listed on the Australian Securities Exchange.

Financial assurances are cash backed bank guarantees.

ACCOUNTING POLICY FOR OTHER FINANCIAL ASSETS

For equity securities that are not held for trading, the Group has made an irrevocable election at initial recognition to recognise changes in fair value through other comprehensive income rather than profit or loss.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Financial assets with embedded derivatives are considered in their entirety when determining whether cash flows are solely payment of principal and interest. Refer to Note 27 detail of the Group's fair value accounting policy.

Security deposits and financial assurances are measured at amortised cost.

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NOTE 20. NON-CURRENT LIABILITIES – PROVISION FOR RESTORATION AND ABANDONMENT

	2019	2018
	$	$
Restoration and abandonment	6,688,065	6,688,065
Restoration and abandonment		
Movements in the carrying amount		
Opening balance at 1 July	6,688,065	6,603,722
Increase in provision	-	84,343
	6,688,065	6,688,065

KEY JUDGEMENT – PROVISION FOR REHABILITATION

The Group's restoration and abandonment obligations for the Surat Basin processing plant and associated exploration and production fields is treated as a non-current liability in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. The restoration and abandonment liability is valued by an independent expert in accordance with legislative requirements, and is reviewed at each reporting period. For the provision recognised at 30 June 2019, the facts and circumstances do not suggest that the carrying amount of the provision has changed.

ACCOUNTING POLICY FOR RESTORATION PROVISIONS

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Provisions for rehabilitation and abandonment of Oil and Gas assets are measured at the cost of legal and constructive obligations to restore operating locations in the period in which the obligation arises. The nature of rehabilitation activities includes the removal of facilities, abandonment of wells and restoration of affected areas. Typically, the obligation arises when the asset is installed at the production location.

A provision has been recognised for the costs to be incurred for the restoration and abandonment of the Surat Basin processing plant and associated exploration and production fields, used for the production of oil, gas, LPG and condensate. It is anticipated that the sites will require restoration in approximately 20 years.

NOTE 21. CURRENT LIABILITIES – DEFERRED CONSIDERATION

	2019 $	2018 $
Deferred consideration payable	1,000,000	1,000,000

ACCOUNTING POLICY FOR DEFERRED CONSIDERATION

On 1 September 2015 Armour Energy (Surat Basin) Pty Ltd, a subsidiary of Armour Energy Ltd, entered into agreements to acquire the Kincora Project from Oil Investments Pty Ltd (Origin Energy). The combined agreements totalled a cash purchase price of $10 million plus $3 million deferred consideration, which was contingent on first gas. The Group achieved first gas in September 2017, and the deferred consideration became due.

The deferred element consists of three $1m payments to be made on the 1st, 2nd and 3rd anniversary of first gas. The second payment is due in September 2019 and $1m has been classified as a current liability.

NOTE 22. NON-CURRENT LIABILITIES – DEFERRED CONSIDERATION

	2019 $	2018 $
Deferred consideration payable	919,143	1,809,240
Movement in provision		
Non-current deferred consideration:		
Opening balance	1,809,240	2,774,415
Increase in the discounted amount arising due to time and the effect of any change in the discount rate	109,903	34,825
Transfers to current liabilities	(1,000,000)	(1,000,000)
Closing balance	919,143	1,809,240

ACCOUNTING POLICY FOR DEFERRED CONSIDERATION

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

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NOTE 23. CURRENT LIABILITIES – CONVERTIBLE NOTES

	2019 $	2018 $
Convertible note coupons payable (secured)	-	1,543,466
Convertible note coupons payable		
Movements in carrying amounts		
Opening balance at 1 July	1,543,466	829,716
Coupon interest accrued	4,662,490	5,666,559
Coupons repaid in cash	(6,205,956)	(2,872,609)
Coupons capitalised into notes	-	(2,079,634)
Amounts withheld from payments due to no TFN declarations	-	(566)
	-	1,543,466
Convertible notes		
Movements in carrying amounts		
Reclassification of convertible note liability from non-current to current	37,511,879	-
Amortisation of convertible notes	1,755,204	-
Amortisation of issue costs	515,314	-
Conversion of debt into equity	(154,126)	-
Cost of early redemption of convertible notes	3,760,165	-
Repayment of convertible notes	(43,388,436)	-
	-	-

Terms and security disclosures

Prior to redemption on 29 March 2019, the convertible notes were secured with a first ranking security over all the assets of Armour Energy Ltd.

The principal terms of the Convertible notes were as follows:

- Number of notes issued – 375,200,950 (as at 30 June 2018)
- Face value of $0.11 per convertible note
- Interest paid half yearly in arrears and the interest may be paid in certain circumstances at Armour's election by the issue of further convertible notes
- Maturity Date of 30 September 2019
- Conversion at any time at the convertible note holder's election into one ordinary share in Armour subject to usual adjustment mechanisms in certain circumstances

EARLY REDEMPTION OF CONVERTIBLE NOTES

On 29 March 2019 the Group announced repayment of all outstanding convertible notes, together with an agreed early termination amount, through a refinancing transaction involving the issue of $55 million of new corporate bonds.

All outstanding notes were redeemed for an amount of 103.25% of their face value (with the exception of one noteholder, M.H. Carnegie who had 110% of their face value redeemed), along with all accrued but unpaid interest calculated up to the date of redemption. The difference between the fair value of the convertible notes at the redemption date and the amortised cost at redemption date, is shown in the statement of profit or loss as a finance cost.

ACCOUNTING POLICY FOR CONVERTIBLE NOTES

Financial liabilities carried at amortised cost are initially measured at fair value including transaction costs. They are subsequently measured at amortised cost using the effective interest rate method.

The Group's convertible notes have been treated as non-derivative financial liability carried at amortised cost. On initial recognition of the convertible note, the liability and equity components are identified and separately measured.

The fair value of the liability component of the convertible notes is deducted from the fair value of the instrument as a whole, and the residual amount is recognised as an equity conversion right and not subsequent remeasured. The liability is subsequently recognised on an amortised cost basis until extinguished on conversion or maturity of the notes.

Details on how the fair value of financial instruments is determined are disclosed in Note 27.

KEY JUDGEMENT – CONVERTIBLE NOTES

The Group's convertible notes have been treated as a financial liability, in accordance with the principles set out in AASB 9.

The key criterion for liability classification is whether there is an unconditional right to avoid delivery of cash for another financial asset to settle the contractual obligation. The terms and conditions applicable to the convertible notes require the Group to settle the obligation in either cash, or in the Company's own shares.

In the prior year the convertible notes were convertible into ordinary shares of the parent entity, at the option of the holder, or repayable on 30 September 2019. The conversion rate is one share for each note held, but subject to adjustments for reconstructions of equity. Management determined that these terms give rise to a compound financial instrument having characteristics of both equity and liability. The initial fair value of the liability portion of the notes was determined using a market interest rate for an equivalent non-convertible note at the issue date. The liability is subsequently recognised on an amortised cost basis until extinguished on conversion or maturity of the notes. The remainder of the proceeds is allocated to the conversion option and recognised in shareholders' equity, net of income tax, and not subsequently remeasured.

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NOTE 24. CURRENT LIABILITIES – BORROWINGS

	2019 $	2018 $
FIIG Corporate Bond (accrued interest)	1,203,125	-
Current lease liability	38,381	69,355
	1,241,506	69,355

NOTE 25. NON-CURRENT LIABILITIES – BORROWINGS
TOTAL SECURED LIABILITIES

The total secured liabilities (current and non-current) are as follows:

	2019 $	2018 $
Tribeca Loan Facility	4,648,566	-
FIIG Corporate Bonds	55,000,000	-
FIIG Corporate Bonds – issue costs	(2,233,323)	-
Lease liability	28,786	67,167
	57,444,029	67,167

Refer to Note 28 for further information on financial risk management.

The Group complied with all covenant requirements of the Tribeca loan facility and FIIG Corporate bonds during the year.

	2019 $	2018 $
Corporate Bond facility		
Movement in carrying amounts:		
Face value of corporate bond facility	55,000,000	-
Issue costs of corporate bond facility	(2,350,866)	-
Amortisation of bond facility costs	117,543	-
	52,766,677	-
Tribeca loan facility		
Movement in carrying amounts:		
Face value of loan facility	6,759,200	-
Issue costs of loan facility	(137,218)	-
Other equity securities – value of conversion rights, net of issue costs	(2,893,012)	-
Amortisation of loan facility	895,986	-
Amortisation of issue costs	23,610	-
	4,648,566	-

FACILITY TERMS AND SECURITY DISCLOSURES

Corporate bond facility

On 29 March 2019, Armour Energy Limited announced settlement of a new $55 million corporate bond facility, refinancing all outstanding convertible notes on issue, which were due for redemption in September 2019. The bond also provided additional funding for exploration and general working capital.

The main terms of the new corporate bond are as follows:

- Issue date of 29 March 2019, with 55,000 new $1,000 corporate bond notes issued raising a total of $55,000,000, before costs;
- Notes will amortise by 52% from 29 March 2021 until and including the day immediately prior to the Maturity Date;
- The notes are secured over all of the assets of the Group (other than its shares in Armour Energy International Pty Ltd);
- Coupon rate attached is 8.75% per annum, payable quarterly in arrears;
- The Maturity Date for the notes is five years from issue date.

Tribeca loan facility

On 26 July 2018, Armour Energy Limited and its subsidiary, Armour Energy (Surat Basin) Pty Ltd (Armour Surat) had entered into a credit facility agreement (**Tribeca Facility Agreement**) with Equity Trustees Limited (in its capacity as the trustee of the Tribeca Global Natural Resources Credit Fund) and Tribeca Global Natural Resources Credit Master Fund (together **Tribeca**) for the provision by Tribeca of an environmental bonding finance facility to Armour Surat (the **Tribeca Facility**). The Tribeca Facility is secured by a guarantee from the Company, a second ranking specific security over two (2) bank accounts controlled by Westpac Banking Corporation (the **Credit Accounts**) in the name of Armour Surat, and a second ranking featherweight security interest over all the present and after-acquired property of Armour Surat.

The Tribeca Facility has a 9% per annum coupon rate payable by Armour Surat quarterly in arrears on amounts drawn and in addition, the Company granted 41,000,000 unlisted options to Tribeca to subscribe for ordinary shares (Options) with an exercise price of A$0.166. The Options will expire on the third anniversary of the first drawdown date under the Tribeca Facility. A Black-Scholes model was used to determine the fair value of the share options issued at grant date. The following assumptions were used to determine the fair value of each option:

Underlying share price	$0.10
Volatility	92.045%
Risk free rate	2.10%
Expiry	31 July 2021
Vesting	Immediate
Dividend yield	0%
Exercise price	$0.161

The value of each option was determined to be $0.0485 per option.

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NOTE 25. NON-CURRENT LIABILITIES – BORROWINGS CONTINUED

ACCOUNTING POLICY FOR BORROWINGS

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

NOTE 26. FINANCE COSTS

	2019 $	2018 $
Interest expense	6,425,620	5,666,760
Financing fees	73,484	115,242
Amortisation of debt facilities and associated issue costs	3,307,656	3,110,422
Unwinding of provision for contingent consideration	109,903	34,825
Gain (loss) on conversion of convertible notes to shares	(20,519)	-
Cost of convertible note early redemption	3,760,165	-
	13,656,309	8,927,249

NOTE 27. FAIR VALUE MEASUREMENT

FAIR VALUE HIERARCHY

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3	Unobservable inputs for the asset or liability

30 June 2019	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets / (liabilities) at fair value through other comprehensive income	2,125,010	-	-	2,125,010
Total assets	2,125,010	-	-	2,125,010

30 June 2018	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets / (liabilities) at fair value through other comprehensive income	4,252,000	-	-	4,252,000
Total assets	4,252,000	-	-	4,252,000

With the exception of corporate bonds, the fair values of all other financial assets and liabilities approximate their carryi ng amounts principally due to their short-term nature or the fact that they are measured and recognised at fair value.

The fair value of the corporate bond liability is based on the borrowing rate of 8.75%. Given that the corporate bond facility settled in March 2019, the bond borrowing rate reflects current market interest rates.

Financial assets at fair value through other comprehensive income are measured based on quoted securities.

ACCOUNTING POLICY FOR FAIR VALUE MEASUREMENT

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

NOTE 28. FINANCIAL RISK MANAGEMENT

GENERAL OBJECTIVES, POLICIES AND PROCESSES

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in this note.

The Group's financial instruments consists of deposits with banks, receivables, other financial assets, payables, borrowings and corporate bonds.

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NOTE 28. FINANCIAL RISK MANAGEMENT CONTINUED
GENERAL OBJECTIVES, POLICIES AND PROCESSES CONTINUED

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function.

The overall objective of the Board is to set polices that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

Risk management is carried out by senior finance executives (**finance**) under policies approved by the Board. These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and manages financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

Further details regarding these policies are set out below.

MARKET RISK

Market risk arises from the use of interest bearing, tradable and foreign currency financial instruments and investments in listed securities. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

The Group is exposed to market risk on investments in equity securities, and these investments are measured at fair value based on quoted market rates. Management considers market risk on this class of assets to be minor given the low value of the assets, and stability of long term market rates.

The Group does not have any material exposure to market risk other than interest rate risk and price risk on available for sale financial assets.

PRICE RISK

The Group has short-term and longer term commercial contracts for the sale of its oil and gas products, some of which contain pricing which is adjustable annually for the Consumer Price Index (**CPI**) and some of which are set with reference to the variable Australian domestic gas price.

To manage these exposures, forward Australian domestic price forecasts are monitored regularly and reported to the board.

COMMODITY PRICE RISK

The Group is exposed to the risk of fluctuations in prevailing market commodity prices on the gas and associated liquid products it produces. The Group is not of a size to have influence on gas or other petroleum product prices and is therefore a price-taker in general terms. The Group manages this risk by continuously monitoring actual and forecast commodity prices and analysing the impact these changes will have on profitability and cashflow.

INTEREST RATE RISK

Interest rate risk arises principally from cash and cash equivalents. The Company's corporate bond has a fixed coupon rate, and thus no variable interest rate exposures. The objective of interest rate risk management is to manage and control interest rate risk exposures within acceptable parameters while optimising the return.

For further details on interest rate risk refer to the tables below.

As at the reporting date, the Group had no variable rate borrowings outstanding.

CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

Credit risk is reviewed regularly by the Board. It arises from exposure to receivables as well as through deposits with financial institutions.

The Group's cash at bank is spread across multiple Australian financial institutions to mitigate credit risk, such as Macquarie Bank (local currency short term rating A-2), ANZ (local currency short term rating A-1+) and Westpac (local currency short term rating A-1+).

Financial assurances are held with both Westpac and Macquarie Bank.

Refer to Note 14 for credit risk exposure of trade and other receivables.

LIQUIDITY RISK

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity risk is the risk that the Group may encounter difficulties raising funds to meet financial obligations as they fall due. The objective of managing liquidity risk is to ensure, as far as possible, that the Group will always have sufficient liquidity to meets its liabilities when they fall due, under both normal and stressed conditions.

Liquidity risk is reviewed regularly by the Board.

For further details on liquidity risk refer to the tables below.

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NOTE 28. FINANCIAL RISK MANAGEMENT CONTINUED
FINANCING ARRANGEMENTS

The Group had no access to undrawn borrowing facilities at the end of the reporting period (2018: nil).

REMAINING CONTRACTUAL MATURITIES

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

30 June 2019	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	4,025,736	-	-	-	4,025,736
Deferred consideration	-	1,000,000	-	1,000,000	-	2,000,000
Interest-bearing – fixed rate						
Tribeca facility	9.00%	608,328	7,412,528	-	-	8,020,856
Corporate bonds	8.75%	4,812,500	21,607,265	47,637,735	-	74,057,500
Lease liability	8.25%	38,381	28,786	-	-	67,167
Total non-derivatives		10,484,945	29,048,579	48,637,735	-	88,171,259

30 June 2018	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	7,621,297	-	-	-	7,621,297
Other payables	-	178,808	-	-	-	178,808
Deferred consideration	-	1,000,000	1,000,000	1,000,000	-	3,000,000
Interest-bearing – fixed rate						
Convertible notes payable	15.00%	1,543,466	37,511,879	-	-	39,055,345
Lease liability	8.25%	69,355	67,167	-	-	136,522
Total non-derivatives		10,412,926	38,579,046	1,000,000	-	49,991,972

Interest payable on the corporate bonds is quarterly in arrears. The corporate bonds mature on 29 March 2024.The Group manages liquidity risk by monitoring forecast cash flows and liquidity ratios such as working capital.

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Financial assets at fair value through other comprehensive income are measured based on quoted securities.

NOTE 29. EQUITY – ISSUED CAPITAL

	2019 Shares	2018 Shares	2019 $	2018 $
Ordinary shares – fully paid	509,437,570	405,175,941	112,815,145	102,395,244
Share issue costs	-	-	(8,291,395)	(7,993,030)
Recognition of deferred tax asset relating to share issue costs	-	-	2,015,078	1,965,668
	509,437,570	405,175,941	106,538,828	96,367,882

MOVEMENTS IN ORDINARY SHARE CAPITAL

Details	Date	Shares	Issue price	$
Balance	1 July 2017	336,015,998		91,301,423
Shares issued for cash ($0.076 per share – Entitlement offer)	20 October 2017	36,624,559	$0.076	2,783,467
Shares issued for cash ($0.076 per share – Placement)	20 October 2017 – 19 December 2017	12,747,895	$0.076	968,840
DGR Loan amounts converted to shares ($0.076 per share)		14,684,560	$0.076	1,116,026
Trade payables converted into shares ($0.076 per share)		2,093,269	$0.076	159,089
Shares issued for cash received in prior year ($0.076 per share)		3,009,660	$0.076	228,734
Share issue costs		-	$0.000	(270,995)
Recognition of deferred tax asset relating to share issue costs		-	$0.000	81,298
Balance	30 June 2018	405,175,941		96,367,882
Shares issued for cash (Entitlement Offer)	10 August 2018 – 8 November 2018	101,384,299	$0.100	10,138,395
Shares issued under employment contracts	7 November 2018	209,425	$0.100	20,942
Conversion of convertible notes into shares	28 August 2018	980,176	$0.110	107,315
Conversion of convertible notes into shares (1 note for 1.0047 ordinary shares)	27 November 2018	427,555	$0.110	46,811
Shares issued under employment contracts ($0.084 per share)	18 January 2019	543,040	$0.084	45,615
Shares issued under employment contracts ($0.096 per share)	1 May 2019	352,564	$0.096	33,846
Shares issued under employment contracts ($0.074 per share)	24 June 2019	364,570	$0.074	26,978
Share issue costs		-	$0.000	(298,366)
Recognition of deferred tax assets relating to share issue costs		-	$0.000	49,410
Balance	30 June 2019	509,437,570		106,538,828

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NOTE 29. EQUITY – ISSUED CAPITAL CONTINUED

ORDINARY SHARES

Ordinary shares participate in dividends and the proceeds on winding up of Armour Energy Ltd. At shareholder meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on show of hands.

OPTIONS

The following share options were on issue at balance date.

Grant Date	Expiry Date	Number	Issue price	% vested
29/03/2016	29/03/2021	3,150,000	$0.195	100.00%
29/03/2016	29/03/2021	3,150,000	$0.345	100.00%
29/03/2016	29/03/2021	2,250,000	$0.495	100.00%
19/12/2016	14/12/2019	1,250,000	$0.215	100.00%
19/12/2016	14/12/2019	1,250,000	$0.265	100.00%
19/12/2016	14/12/2019	1,250,000	$0.315	100.00%
29/05/2017	29/05/2020	666,666	$0.215	100.00%
29/05/2017	29/05/2020	666,667	$0.265	100.00%
29/05/2017	29/05/2020	666,667	$0.315	100.00%
31/07/2017	14/12/2019	1,691,664	$0.215	100.00%
31/07/2017	14/12/2019	1,691,668	$0.265	100.00%
31/07/2017	14/12/2019	1,691,668	$0.315	100.00%
31/07/2018	31/07/2021	41,000,000	$0.161	100.00%
		60,375,000		

CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The Group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

ACCOUNTING POLICY FOR ISSUED CAPITAL

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

NOTE 30. EQUITY – RESERVES

	2019 $	2018 $
Financial assets at fair value through other comprehensive income reserve	(4,298,693)	(2,809,800)
Share-based payments option reserve	4,674,376	4,632,240
Performance rights reserve	-	250,000
Convertible note reserve	-	5,402,322
Tribeca Loan Option Reserve	2,893,012	-
	3,268,695	7,474,762

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME RESERVE

The reserve is used to recognise increments and decrements in the fair value of financial assets at fair value through other comprehensive income.

SHARE-BASED PAYMENTS RESERVE

The reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and other parties as part of their compensation for services.

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NOTE 30. EQUITY – RESERVES CONTINUED

MOVEMENTS IN RESERVES

Movements in each class of reserve during the current and previous financial year are set out below.

	Financial assets at fair value through OCI	Share-based payments option reserve	Performance rights reserve	Performance shares reserve	Convertible note reserve	Equity conversion right – Tribeca Loan	Total
	$	$	$	$	$	$	$
Balance at 1 July 2017	(4,297,300)	4,291,222	125,000	125,000	4,944,695	-	5,188,617
Revaluation – gross	2,125,000	-	-	-	-	-	2,125,000
Deferred tax	(637,500)	-	-	-	-	-	(637,500)
Share-based payments	-	341,018	-	-	-	-	341,018
Value of conversion rights – convertible notes, net of issue costs	-	-	-	-	457,627	-	457,627
Balance at 30 June 2018	(2,809,800)	4,632,240	125,000	125,000	5,402,322	-	7,474,762
Revaluation – gross	(2,126,990)	-	-	-	-	-	(2,126,990)
Deferred tax	638,097	-	-	-	-	-	638,097
Share-based payments	-	42,136	-	-	-	-	42,136
Value of conversion rights – convertible notes, net of issue costs	-	-	-	-	(20,520)	-	(20,520)
Value of conversion rights – Tribeca loan, net of issue costs	-	-	-	-	-	2,893,012	2,893,012
Reserve transfer – expired share-based payments	-	-	(125,000)	(125,000)	-	-	(250,000)
Transfer of conversion rights on redemption of convertible notes	-	-	-	-	(5,381,802)	-	(5,381,802)
Balance at 30 June 2019	(4,298,693)	4,674,376	-	-	-	2,893,012	3,268,695

NOTE 31. INTERESTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 3:

Name	Principal place of business / country of incorporation	Ownership interest 2019 %	Ownership interest 2018 %
Ripple Resources Pty Ltd	Northern Australia / Australia	100.00%	100.00%
Armour Energy (Victoria) Pty Ltd	Victoria / Australia	100.00%	100.00%
Armour Energy (Surat Basin) Pty Ltd	Queensland / Australia	100.00%	100.00%
Armour Energy (Queensland) Pty Ltd	Queensland / Australia	100.00%	100.00%

AEPGAS Pty Ltd was deregistered on 14 January 2018, and was incorrectly shown in the table above in the 2018 annual report.

NOTE 32. INTERESTS IN JOINT OPERATIONS

Information relating to joint operations that are material to the Group are set out below.

Name	Principal place of business / country of incorporation	Ownership interest 2019 %	Ownership interest 2018 %
ATP 2046 Sykes Block	Queensland / Australia	10.00%	-
ATP119P South – Waldegrave	Queensland / Australia	46.25%	46.25%
ATP119P South – Snake Creek East	Queensland / Australia	25.00%	25.00%
ATP212P – PL30	Queensland / Australia	90.00%	90.00%
ATP212P – PL512, PPL22	Queensland / Australia	84.00%	84.00%
Weribone Pooling Area	Queensland / Australia	50.64%	50.64%
ATP 145P Bainbilla Block	Queensland / Australia	24.75%	24.75%
ATP 754P	Queensland / Australia	50.00%	50.00%
PEP 169	Victoria / Australia	51.00%	51.00%
PEP 166	Victoria / Australia	25.00%	25.00%
Kanywataba Block	Uganda	16.82%	16.82%

ACCOUNTING POLICY FOR JOINT OPERATIONS

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group entered into joint arrangement with various parties for interest in exploration tenements as disclosed above. Exploration expenditures incurred in relation to these joint operations have been capitalised in accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*.

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NOTE 33. PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income	2019 $	2018 $
Loss after income tax	(18,597,163)	(15,037,944)
Other comprehensive income for the year, net of tax	(1,488,893)	1,487,500
Total comprehensive income	(20,086,056)	(13,550,444)

Statement of financial position	2019 $	2018 $
Total current assets	6,250,472	799,646
Total assets	99,710,194	92,296,887
Total current liabilities	2,474,046	3,316,889
Total liabilities	55,291,576	40,879,781
Equity		
Issued capital	106,538,817	96,367,871
Financial assets at fair value through other comprehensive income reserve	(4,296,703)	(2,809,800)
Share-based payments option reserve	4,674,376	4,632,240
Performance rights reserve	-	250,000
Convertible note reserve	-	5,402,322
Tribeca Loan Option Reserve	2,893,012	-
Accumulated losses	(65,390,883)	(52,425,527)
Total equity	44,418,619	51,417,106

GUARANTEES ENTERED INTO BY THE PARENT ENTITY IN RELATION TO THE DEBTS OF ITS SUBSIDIARIES

As at 30 June 2019, the parent entity is a guarantor for its subsidiary Armour Energy (Surat Basin) Pty Ltd for debts relating to the Tribeca loan facility (2018: nil).

CONTINGENT LIABILITIES

The parent entity had no contingent liabilities as at 30 June 2019 and 30 June 2018.

CAPITAL COMMITMENTS – PROPERTY, PLANT AND EQUIPMENT

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2019 and 30 June 2018.

NOTE 34. RELATED PARTY TRANSACTIONS

PARENT ENTITY

Armour Energy Limited is the parent entity of the Group, and listed on the ASX on 26 April 2012.

SUBSIDIARIES

Interests in subsidiaries are set out in Note 31.

JOINT OPERATIONS

Interests in joint ventures are set out in Note 32.

KEY MANAGEMENT PERSONNEL

Disclosures relating to key management personnel are set out in Note 35 and the remuneration report included in the Directors' report.

TRANSACTIONS WITH RELATED PARTIES

The following transactions occurred with related parties during the reporting period:

	2019 $	2018 $
Payment for goods and services:		
Payment for services from entity with significant influence – DGR Global Ltd (i)	456,000	456,000
Payment for services from other related party – Bizzell Capital Partners (ii)	144,500	704,100

(i) The Group has a commercial arrangement with DGR Global Ltd (a major shareholder) for the provision of various services, whereby DGR Global provides resources and services including the provision of its administration staff, its premises (for the purposes of conducting the Group's business operation), use of existing office furniture, equipment and certain stationery, together with general telephone, reception and other office facilities (**Services**).

In consideration for the provision of the Services, the Group pays DGR Global a monthly management fee of $38,000 (2018: $38,000). For the year ended 30 June 2018 $456,000 (2018: $456,000) was paid or payable to DGR Global for the provision of the Services. The total amount outstanding at year end was $88,930 (2018: $273,833). During the year, DGR Global held 95,809,298 convertible notes which were redeemed for cash on 29 March 2019 for a total of $11,661,140 (of which $10 million was reinvested into Corporate bonds). During the year, DGR Global was also paid interest on their convertible notes of $1,572,191. As at 30 June 2019 DGR Global held 8,750 corporate bonds totalling $8,750,000, purchased on the same terms and conditions as other bondholders.

(ii) Mr Stephen Bizzell (a Director) is the Chairman of boutique corporate advisory and funds management group Bizzell Capital Partners Pty Ltd. The Group entered into an agreement with Bizzell Capital Partners Pty Ltd as Lead Manager for the capital raising program detailed in an ASX announcement on 16 December 2016. Under the agreement, a management fee was payable of one (1) percent of the funds raised under the offer, a placement fee of five (5) percent of all new shares issued, an underwriting fee of five (5) percent of the value of shares underwritten in the entitlement offer, and an option fee of five (5) million options were issued.

During the year, Bizzell Capital Partners held 5,000,000 underwriting options which expired on 30 August 2018, as well as 10,130,239 convertible notes which were redeemed for cash on 29 March 2019 for a total of $1,275,610. During the year, Bizzell Capital Partners was also paid interest on their convertible notes of $164,859. On 29 March 2019, Bizzell Capital Partners purchased 100 $1,000 corporate bonds in the FIIG refinance (refer to borrowing disclosures). As at 30 June 2019, Bizzell Capital Partners held nil options, nil convertible notes, and 100 corporate bonds (2018: 5,000,000 underwriting options, 10,130,239 convertible notes, and nil corporate bonds). The corporate bonds were purchased on the same terms and conditions as all other bondholders.

As detailed in 'Events after the reporting period', Armour Energy completed a private placement which raised gross proceeds of $4 million via the allotment of 80 million shares, with attaching unlisted options. Bizzell Capital Partners managed the private placement and is entitled to a capital raising fee on arm's length terms. Bizzell Capital Partners is also entitled to receive an allotment of 8 million unlisted options exercisable at 8 cents through to 30 September 2023, subject to a resolution to be put to shareholders at the Company's November 2019 Annual General Meeting. During the year ended 30 June 2019, the Group also paid Bizzell Capital Partners corporate advisory fees of $55,625 for his involvement in the 2018 entitlement offer, and 2019 refinance of convertible notes (2018: nil).

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NOTE 34. RELATED PARTY TRANSACTIONS CONTINUED

SAMUEL HOLDINGS PTY LTD

Samuel Holdings Pty Ltd is an entity associated with the Company's Chairman, Nicholas Mather. Samuel Holdings held 9,813,550 convertible notes which were redeemed for cash on 29 March 2019 for a total of $1,194,427. During the year, Samuel Holdings was also paid interest on their convertible notes of $159,705.

SAMUEL HOLDINGS PTY LTD AND BIZZELL CAPITAL PARTNERS

In August 2019, Armour completed a entitlement offer fully underwritten by Samuel Holdings Pty Ltd (as trustee) .Samuel Holdings was paid a $1 underwriting fee, and a 3% sub-underwriting fee was payable by Armour on written sub-underwriting commitments. Bizzell Capital Partners held a sub-underwriting agreement and was responsible for any selling fees, stamping fees and sub-underwriting fees it had to pay out of the fees to other brokers or to sub-underwriters of the offers. The gross fees paid under this agreement to Bizzell Capital Partners for the year ended 30 June 2019 was $144,500 (2018: $704,100).

COMPANY DEBT INSTRUMENTS HELD BY KEY MANAGEMENT PERSONNEL

The number of convertible notes in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below.

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/other*	Balance at the end of the year
Convertible Note holdings					
Nicholas Mather	9,813,550	-	-	(9,813,550)	-
Stephen Bizzell	10,130,239	-	-	(10,130,239)	-
Roger Cressey	2,594,911	-	-	(2,594,911)	-
Karl Schlobohm	632,951	-	-	(632,951)	-
Priy Jayasuriya	527,460	-	-	(527,460)	-
	23,699,111			(23,699,111)	-

* The Company refinanced the convertible notes on issue on 29 March 2019 and the notes were redeemed at their face value. Refer to Note 23 for further details.

	Interest $	Early redemption premium $	Disposal of convertible notes $	Total paid during 2019 $
Convertible Note payments				
Nicholas Mather	161,037	35,083	1,079,490	1,275,610
Stephen Bizzell	166,233	36,216	1,114,326	1,316,775
Roger Cressey	21,467	9,277	285,440	316,184
Karl Schlobohm	42,582	2,263	69,625	114,470
Priy Jayasuriya	8,655	1,866	58,021	68,562
	399,974	84,725	2,606,902	3,091,601

	Balance at the start of the year	Received as part of remuneration	Additions*	Disposals/other	Balance at the end of the year
Corporate bond holdings					
Stephen Bizzell	-	-	100	-	100

* On 29 March 2019 the Company issued 55,000 new $1,000 corporate bonds, some of which were subscribed for by key management personnel. Refer to Note 23 for further details.

	Interest $	Early redemption premium $	Disposals $	Total paid during 2019 $
Corporate bond payments				
Stephen Bizzell	2,127	-	-	2,127

All other directors and key management personnel, did not hold any debt instruments in the Company at the start, during or at the end of the year.

NOTE 35. KEY MANAGEMENT PERSONNEL DISCLOSURES

COMPENSATION

The aggregate compensation made to Directors and other members of key management personnel of the Group is set out below.

	2019 $	2018 $
Short-term employee benefits	1,607,495	1,722,891
Post-employment benefits	75,796	99,971
Share-based payments	22,019	228,652
Short-term non-monetary benefits	66,956	-
	1,772,266	2,051,514

NOTE 36. CURRENT LIABILITIES – EMPLOYEE BENEFITS

	2019 $	2018 $
Employee benefit obligations	309,040	130,249

ACCOUNTING POLICY FOR EMPLOYEE BENEFITS

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

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NOTE 36. CURRENT LIABILITIES – EMPLOYEE BENEFITS CONTINUED

ACCOUNTING POLICY FOR EMPLOYEE BENEFITS CONTINUED

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

NOTE 37. NON-CURRENT LIABILITIES – EMPLOYEE BENEFITS

	2019 $	2018 $
Long service leave	-	55,972
Employee benefits	51,371	-
	51,371	55,972

ACCOUNTING POLICY FOR EMPLOYEE BENEFITS

The liability for long service leave not expected to be settled within 12 months of the reporting date are recognised in non- current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wages and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on Australian corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

NOTE 38. SHARE-BASED PAYMENTS

TYPES OF SHARE-BASED PAYMENTS

Employee Share Option Plan (ESOP)

Share options are granted to employees. The employee share option is designed to align participants' interests with those of shareholders by increasing the value of the Armour Energy Ltd's shares.

When a participant ceases employment prior to the vesting of their share options, the share options are forfeited after 90 days unless cessation of employment is due to termination for cause, whereupon they are forfeited immediately or death. The Group prohibits KMP's from entering into arrangements to protect the value of unvested ESOP awards.

The contractual life of each option granted is generally three (3) years. There are no cash settlement alternatives. Each option can be exercised from vesting date to expiry date for one share with the exercise price payable in cash.

SUMMARY OF SHARE-BASED PAYMENT PLANS

The following table illustrates the number and weighted average exercise prices (**WAEP**) of, and movements in, share based payment share options granted during the year under the employee share option plan.

	2019 WAEP	2019 Number	2018 WAEP	2018 Number
Outstanding at the beginning of the year	$0.29	22,875,000	$0.16	15,250,000
Granted during the year	$0.00	-	$0.27	9,075,000
Forfeited during the year	$0.27	(5,500,000)	$0.50	(900,000)
Expired during the year	$0.00	-	$0.30	(550,000)
Outstanding and exercisable at the end of the year		17,375,000		22,875,000

There were no options issues to employees and Directors under the Armour Energy Employee Share Option Plan during 2019 (2018: 9,075,000). The options outstanding as at 30 June 2019 have a weighted average remaining contractual life of 1.09 years and exercise price of $0.30.

OTHER OPTION ISSUES

The following table illustrates the number of, and movements in, other options issued for commercial consideration during the year.

	2019 $	2018 $
Balance at the start of the year (i)	7,000,000	-
Granted during the year (ii)	41,000,000	7,000,000
Expired during the year	(5,000,000)	-
	43,000,000	7,000,000

(i) The opening balance of options were issued in 2017 in two tranches:

- 5,000,000 unlisted options to take up one ordinary share in Armour Energy Limited at an exercise price of $0.20. The options were granted to Bizzell Capital Partners as an underwriting fee for nil cash consideration pursuant to a capital raising mandate dated 23 August 2016. These options expired during the year.
- 2,000,000 unlisted options to take up one ordinary share in Armour Energy Limited at various prices. The options were granted to MH Carnegie in lieu of any fees for their consent for the issue of further convertible notes, to change redemption rights and in lieu of the requirement for the Company to issue options for a further MH Carnegie nominee to the Board.

(ii) On 31 July 2018 the Company issued 41,000,000 options to Tribeca Global Resources Credit Master Fund (**Tribeca**) at an exercise price of $0.166 per ordinary share (adjusted to $0.161 per ordinary share following the 2018 entitlement issue). The options were issued as part of the agreement for Tribeca to provide a $6.8 million environmental bonding funding facility (see the financial liabilities note for further details).

Financial report continued

Notes to the consolidated financial statements continued

NOTE 38. SHARE-BASED PAYMENTS CONTINUED

SHARE-BASED PAYMENT EXPENSE

	2019 $	2018 $
Option expense		
Employee share option expense recognised in the statement of profit or loss and other comprehensive income	42,136	236,768

ACCOUNTING POLICY FOR SHARE-BASED PAYMENTS

Equity-settled and cash-settled share-based compensation benefits are provided to employees. Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

NOTE 39. COMMITMENTS

	2019 $	2018 $
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Oil and Gas assets	6,333,398	13,234,796
Lease commitments – operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	207,873	169,610
One to five years	150,871	274,573
	358,744	444,183
Lease commitments – finance		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	38,381	69,355
One to five years	28,786	67,167
Total commitment	67,167	136,522
Less: Future finance charges	-	-
Net commitment recognised as liabilities	67,167	136,522
Representing:		
Lease liability – current (Note 23)	-	-
Lease liability – non-current (Note 25)	28,786	67,167
	28,786	67,167
Exploration Expenditure Commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	18,442,987	95,964,000
One to five years	37,477,283	3,649,478
More than five years	1,810	-
	55,922,080	99,613,478

CAPITAL COMMITMENTS

The capital commitments relate to executed Gas Acceleration Program (GAP) with the federal government, which aims to increase gas supply to the domestic gas market. The agreed work program consists of accelerating one production well and drilling three additional production wells at the Group's Kincora Project.

OPERATING LEASE COMMITMENTS

The operating lease is for nine motor vehicles, commenced in 2018 and is a 3-year lease with payments monthly in advance. Either party may terminate the Master Facility Agreement by giving thirty (30) days' written notice to the other party.

Financial report continued
Notes to the consolidated financial statements continued

NOTE 39. COMMITMENTS CONTINUED
FINANCE LEASE COMMITMENTS

Finance lease commitments relate to geological software licences. The liabilities compromise a 12 and 36 month lease. Upon completion of the 12 and 36 month terms, a final payment of $1.00 will be required to finalise the conversion to a Perpetual Licence.

EXPLORATION COMMITMENTS

The Group has certain obligations to expend minimum amounts on exploration in tenement areas. These obligations may be varied from time to time and are expected to be fulfilled in the normal course of operations of the Group. The commitments are as follows:

As at 30 June 2018, $93 million of the exploration commitments that were due within 12 months related to the Group's Queensland tenement, ATP 1087. The Group lodged a special amendment with the Department of Natural Resources, Mines & Energy to retain ATP 1087 and surrender a portion of the tenement, with a new term and work program. The special amendment was successful, and the remaining $93 million of short-term commitments relating to the previous work program was not required. The tenement was renewed with a new 4 year term and $5 million work program.

To keep tenements in good standing, work programs should meet certain minimum expenditure requirements. If the minimum expenditure requirements are not met, the Group has the option to negotiate new terms or relinquish the tenements. The Group also has the ability to meet expenditure requirements by joint venture or farm-in agreements.

NOTE 40. CONTINGENT LIABILITIES
EXPLORATION LIABILITIES

Under the Company's native title agreement over EP 171 and EP 176, the Company is required to pay the greater of either $10,000 or 3% of exploration costs on each anniversary date.

Under the Company's native title agreement over EP 174, EP 190, EP 191 and EP 192, the Company is required to pay the greater of either $5,000 or 3% of exploration costs on each anniversary date.

Under the Company's native title agreement over ATP 1087, the Company is required to pay the greater of either $50,000, or:

- 3% of exploration costs within the preceding financial year; and
- 1.5% of the exploration costs incurred in the Shared Area within the preceding financial year.

Other than the above, the Group had no other contingent assets or liabilities at 30 June 2019.

NOTE 41. EVENTS AFTER THE REPORTING PERIOD

Authority to Prospect ATP2046 Formally Awarded to Armour Energy Limited and Australia Pacific LNG Pty Ltd Joint Venture

As announced on 18 July 2019, the Queensland Department of Natural Resources, Mines and Energy (DNRME) formally awarded the Authority to Prospect – ATP2046 to a Joint Venture between Armour Energy Limited (10%) and Australia Pacific LNG Pty Ltd (APLNG) (90% and Operator).

ATP2046 is an 18km^2 coal seam exploration tenure located 22km south-west of Chinchilla and adjoins APLNG's Talinga Project. The block was part of the first national tender where gas has been designated to be supplied exclusively to Australian domestic manufacturers, an initiative by the Queensland Government.

Resignation of CEO

Mr Roger Cressey, CEO of Armour Energy Limited, resigned on 24 July 2019.

2019 Well Program

As announced on 19 August 2019, the Group has entered into a contract for the drilling of two development wells for the Group's 100% owned Kincora Gas Project. This work program is a continuation of the 2018-2019 Phase 3 growth strategy which includes drilling of new wells and workover and stimulation of existing wells. These activities, together with any necessary further work on the Kincora Gas Plant, will assist Armour in progressing to its targeted 20 TJ/day gas sales.

The wells have been designed to a depth of approximately 2,100-meters (measured depth) and will target liquid-rich, overpressured Permian and Triassic conventional and tight gas sandstones. The first well, Myall Creek North 1 was spudded on 23 September 2019.

Capital raising

On 23 September 2019 the Company announced the successful close of a $4 million private placement via the allotment of 80 million shares at a price of 5 cents per share. Investors will also receive one (1) unlisted option exercisable at 8 cents per share (through to 30 September 2023) for every two (2) shares subscribed for in the placement. The proceeds of the private placement will be used by the Company to progress its Kincora Project field program, meet the costs of the raising, and for general working capital purposes.

The Company proposes to undertake an entitlement offer to existing shareholders, and will release full details in due course.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Financial report continued
Notes to the consolidated financial statements continued

NOTE 42. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by BDO Audit Pty Ltd and related entities.

	2019 $	2018 $
Audit services – BDO Audit Pty Ltd		
Audit or review of the financial statements	87,552	74,000
Other services – BDO Audit Pty Ltd and related entities		
Financial Modelling services	16,001	10,000
Grant funding audit	3,200	-
	19,201	10,000
	106,753	84,000

NOTE 43. ACCOUNTING POLICIES

NEW AND REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

(a) Adoption of new and revised accounting standards

The accounting policies adopted are consistent with those of the previous financial year except as follows.

The impact on adoption of AASB 16 from 1 July 2019 is set out below.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 ‘Leases’ and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a ‘right-of-use’ asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs).

Upon recognition on 1 July 2019, a ‘right-of-use’ asset of $540,078 will be capitalised in the statement of financial position, with accumulated depreciation of $212,402. A corresponding lease liability will be recognised, comprising $174,728 current and $115,905 non-current. The balance of $37,042 will be taken up in accumulated losses, which represents the difference between operating lease payments and the finance amortisation for the leases for the previous financial years.

Australian Accounting Standards and Interpretations that have been recently issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2019. On evaluating these standards and interpretations, management do not expect a material impact upon the financial statements on their adoption.

The Group anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information of new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below.

New Accounting Standards and Interpretations	Effective date for Standard / Group
AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments	1 January 2019 / 1 July 2019
Interpretation 23 Uncertainty Over Income Tax Treatments	1 January 2019 / 1 July 2019

The adoption of the remaining standards and interpretations in the above table has been assessed and will not have any material impact on the current or any prior period and is not likely to materially affect future periods.

Financial report continued
Directors' declaration

The Directors of the Group declare that:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 3 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to Section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors

Nicholas Mather
Chairman
27 September 2019
Brisbane

Independent auditor's report

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INDEPENDENT AUDITOR'S REPORT

To the members of Armour Energy Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Armour Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

a) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and

b) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 4 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Financial report continued

Independent auditor's report continued

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Carrying value of oil and gas assets

Key audit matter	How the matter was addressed in our audit
Refer to Note 18 in the financial report. The Group has significant oil and gas assets following the restart and commissioning of the Kincora Gas Plant in Surat Basin, Queensland. Due to the quantum of this asset and the subjectivity involved in assessing the asset for impairment, we have determined this is a key audit matter.	Our procedures, amongst others, included: • Evaluating management's assessment if any impairment indicators in accordance with AASB 136 Impairment of Assets have been identified across the Group's oil and gas projects. • Comparing oil and gas price assumptions against third-party forecasts, peer information and relevant market data to determine whether the Group's forecasts were within the range. • Reviewing contracts and agreements with the Group's external customers to understand the existing level of contracted oil and gas sales. • Reviewing the Group's reserve estimation against reports provided by external experts and assessing their scope of work and findings. • Performing sensitivity analysis on key assumptions used by the Group to assess the impact on forecasted cash flows. • Selecting a sample of capitalised expenditure additions and agreeing to supporting documentation, as well as ensuring they qualify for recognition as assets under AASB 116 Property, Plant and Equipment.

Carrying value of exploration and evaluation assets

Key audit matter	How the matter was addressed in our audit
Refer to Note 17 in the financial report. The carrying value of the Group's exploration and evaluation asset is impacted by the Group's ability, and intention, to continue to explore. The carrying value of the exploration and evaluation assets was a key audit mater due to: • The significance of the total balance • The level of procedures undertaken to evaluate managements application of the requirements of AASB 6 Exploration for the Evaluation of Mineral Resources ('AASB 6') in light of any indicators of impairment that may be present.	Our procedures, amongst others, included: • Obtaining from management a schedule of areas of interest held by the Group and selecting a sample of tenements and assessing as to whether the Group had rights to tenure over the relevant exploration areas by obtaining supporting documentation such as license agreements and also considering whether the Group maintains the tenements in good standing. • Reviewing budgets and evaluating assumptions made by the Group to ensure that substantive expenditure on further exploration for and evaluation of the mineral resources in the areas of interest were planned. • Assessing management's determination that exploration activities have not yet progressed to the point where the existence or otherwise of an economically recoverable mineral resource may be determined through discussions with management, and review of the Group's ASX announcements and minutes of directors' meetings. • Reviewing the directors' assessment of the carrying value of the exploration and evaluation costs, ensuring that management have considered the effect of potential impairment indicators, commodity prices and the stage of the Group's project against AASB 6.

Financial report continued
Independent auditor's report continued

Accounting for early redemption of convertible notes

Key audit matter	How the matter was addressed in our audit
Refer to Note 23 in the financial report. On 29 March 2019, the Group early redeemed all outstanding convertible notes, through a refinancing transaction involving the issue of $55 million of new corporate bonds. The early redemption premium paid was accounted for as a substantial modification of the terms, as a result the difference between the carrying amount extinguished and the consideration paid was recognised in the profit or loss. This was a key audit matter because of the non-routine nature and the fact that the determination of whether a substantial modification exists was complex.	Our procedures, amongst others, included: • Inspecting board minutes and other appropriate documentation of authorisation to assess whether the transaction was properly authorised. • Reading the convertible note agreement, early redemption notice, special resolution and note deed to understand the terms and conditions of early redemption. • Reviewing management's assessment whether the inclusion of issuer's right to early redeem and payment of early redemption premium constitute a substantial modification to the terms of convertible notes under AASB 9 Financial Instruments. • Engaging our internal accounting specialist to confirm management's accounting treatment is in accordance with AASB 9. • Agreeing the payment as a result of early redemption to supporting bank statements. • Recalculating the loss on early redemption of convertible notes by comparing the carrying amount of convertible notes extinguished and the consideration paid. • Reviewing the adequacy of disclosures in the financial statements.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at: http://www.auasb.gov.au/auditors_files/ar2.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 42 to 56 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Armour Energy Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit Pty Ltd

BDO

Tim Kendall

T J Kendall
Director

Brisbane, 27 September 2019

Further information

Shareholder information

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 25 September 2019.

A. DISTRIBUTION SCHEDULE

	Ordinary shares		Unlisted options exercisable at $0.195 on or before 29 March 2021	
	Number of holders	Number of shares	Number of holders	Number of options
1 – 1,000	53	7,872	-	-
1,001 – 5,000	119	425,814	-	-
5,001 – 10,000	208	1,705,311	-	-
10,001 – 100,000	806	31,266,542	-	-
100,001 and over	390	476,032,121	7	3,150,00
Total	**1,576**	**509,437,570**	**7**	**3,150,00**

Unlisted options exercisable at $0.215 on various dates		Unlisted options exercisable at $0.265 on various dates		Unlisted options exercisable at $0.315 on various dates	
Number of holders	Number of options	Number of holders	Number of options	Number of holders	Number of options
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
11	591,666	11	591,667	11	591,667
8	3,016,664	8	3,016,668	8	3,016,668
19	**3,608,330**	**19**	**3,608,335**	**19**	**3,608,335**

Unlisted options exercisable at $0.345 on or before 29 March 2021		Unlisted options exercisable at $0.495 on or before 29 March 2021		Unlisted options exercisable at $0.161 on or before 31 July 2021	
Number of holders	Number of options	Number of holders	Number of options	Number of holders	Number of options
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
7	3,150,00	6	2,250,000	1	41,000,000
7	**3,150,00**	**6**	**2,250,000**	**1**	**41,000,000**

The number of security investors holding less than a marketable parcel of shares is 267 and they hold 1,063,551 securities.

B. TWENTY LARGEST HOLDERS

Name	Ordinary shares – number held	Issued capital %
DGR GLOBAL LIMITED	111,899,712	21.97
ROOKHARP CAPITAL PTY LIMITED	34,803,530	6.83
MR PAUL COZZI	30,440,000	5.98
TENSTAR TRADING LIMITED	22,275,072	4.37
CITICORP NOMINEES PTY LIMITED	15,695,862	3.08
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	14,552,601	2.86
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	9,794,933	1.92
UBS NOMINEES PTY LTD	7,055,905	1.39
K J HAYES CORPORATION PTY LTD	7,000,000	1.37
ROOKHARP INVESTMENTS PTY LTD	6,907,895	1.36
TENSTAR TRADING LIMITED	6,894,520	1.35
CF2 PTY LTD	6,238,301	1.22
CPS CONTROL SYSTEMS PTY LIMITED	5,094,773	1.00
HAYES PASTORAL CORPORATION PTY LTD	5,000,000	0.98
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	4,630,147	0.91
MR RONALD GEOFFREY PHILLIPS	4,605,000	0.90
J BARLOW CONSULTANTS PTY LTD	4,319,000	0.85
LGL TRUSTEES LIMITED	4,169,000	0.82
CHOICE INVESTMENTS DUBBO PTY LTD	4,149,273	0.81
SIXTH ERRA PTY LTD	3,598,376	0.71
Total of Twenty Largest Holders	309,123,900	60.68
Total Shares Held	509,437,570	100.00

C. SUBSTANTIAL HOLDERS

The Company is aware of the following substantial holdings:

Name	Ordinary shares – number held	Issued capital %
DGR Global Limited	111,899,712	21.97
Rookharp Capital Pty Ltd	34,803,530	6.83
Mr Paul Cozzi	30,440,000	5.98

D. VOTING RIGHTS

All ordinary shares carry one vote per share without restriction.

E. RESTRICTED SECURITIES

There are no restrictions over any security holdings as at 30 June 2019.

Further information continued
Tenement listing

As at the date of this report, the Group has an interest in tenements as set out below (and continued over the page).

Type	Location	Owner	Interest
PL14	Queensland	AE (SB) P/L	100%
PL 53	Queensland	AE (SB) P/L	100%
PL 70	Queensland	AE (SB) P/L	100%
PL 511	Queensland	AE (SB) P/L	100%
PL 227	Queensland	AE (SB) P/L	100%
PPL 3	Queensland	AE (SB) P/L	100%
PPL 20	Queensland	AE (SB) P/L	100%
PPL 63	Queensland	AE (SB) P/L	100%
Newstead Gas storage	Queensland	AE (SB) P/L	100%
PL 28	Queensland	AE (SB) P/L	46.25%
PL 69	Queensland	AE (SB) P/L	46.25%
PL 89	Queensland	AE (SB) P/L	46.25%
PL 320	Queensland	AE (SB) P/L	46.25%
PL 11 Waldegrave	Queensland	AE (SB) P/L	46.25%
PL 12 West	Queensland	AE (SB) P/L	46.25%
PL 11 Snake Creek East Exclusion Zone	Queensland	AE (SB) P/L	25%
PL 21	Queensland	AE (SB) P/L	100%
PL 22	Queensland	AE (SB) P/L	100%
PL 27	Queensland	AE (SB) P/L	100%
PL 71	Queensland	AE (SB) P/L	100%
PL 264	Queensland	AE (SB) P/L	100%
PL 30	Queensland	AE (SB) P/L	90%
PL 512	Queensland	AE (SB) P/L	84%
PPL 22	Queensland	AE (SB) P/L	84%
ATP 647	Queensland	AE (SB) P/L	100%
ATP 1190 (PCA157, Weribone Block)	Queensland	AE (SB) P/L	50.64%
ATP 1190 (PCA157, Bainbilla Block)	Queensland	AE (SB) P/L	24.75%
ATP 2028	Queensland	AE (SB) P/L	50%
ATP 2029	Queensland	AE (SB) P/L	100%
ATP 2030	Queensland	AE (SB) P/L	100%
ATP 2032	Queensland	AE (SB) P/L	100%
ATP 2034	Queensland	AE (SB) P/L	100%
ATP 2035	Queensland	AE (SB) P/L	100%
ATP 2041	Queensland	AE (SB) P/L	100%
PL2018-1B* (now ATP2046)	Queensland	Armour Energy Ltd	10%
ATP 1087	Queensland	Armour Energy Ltd	100%
EP 171	Northern Territory	Armour Energy Ltd	100%
EP 174	Northern Territory	Armour Energy Ltd	100%

Type continued	Location continued	Owner continued	Interest continued
EP 176	Northern Territory	Armour Energy Ltd	100%
EP 190	Northern Territory	Armour Energy Ltd	100%
EP 191	Northern Territory	Armour Energy Ltd	100%
EP 192	Northern Territory	Armour Energy Ltd	100%
PEP 169	Victoria	Armour Energy Ltd	51%
PEP 166	Victoria	Armour Energy Ltd	25%
PRL2	Victoria	Armour Energy Ltd	15%
EL 30817	Northern Territory	Ripple Resources P/L	100%
EL 30818	Northern Territory	Ripple Resources P/L	100%
EL 30494	Northern Territory	Ripple Resources P/L	100%
EL 31012	Northern Territory	Ripple Resources P/L	100%
EPM 19833	Queensland	Ripple Resources P/L	100%
EPM 19835	Queensland	Ripple Resources P/L	100%
EPM 19836	Queensland	Ripple Resources P/L	100%
EPM 25504	Queensland	Ripple Resources P/L	100%
EPM 25505	Queensland	Ripple Resources P/L	100%
EPM 26018	Queensland	Ripple Resources P/L	100%
EPM 26020	Queensland	Ripple Resources P/L	100%
EPM 26022	Queensland	Ripple Resources P/L	100%
EPM 25802	Queensland	Ripple Resources P/L	100%

* This was formally awarded as ATP2046 on 18th July 2018.

AE (SB) P/L	Armour Energy (Surat Basin) Pty Ltd
EPM	Exploration Permit - Minerals
EL	Exploration Licence
EPP	Exploration Permit - Petroleum
ATP	Authority to Prospect
PCA	Potential Commercial Area
PEP	Petroleum Exploration Permit
PL	Petroleum Lease
PPL	Petroleum Pipeline Licence
PRL	Petroleum Retention Lease

Armour Energy Limited

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