ARMOUR ENERGY LIMITED

and controlled entities

ABN 60 141 198 414

Half-year financial report for the six months ended 31 December 2019

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Executive Summary

Armour Energy Ltd ('the Company' / 'Armour') and its controlled entities ('the Group') is a Brisbane based ASX listed exploration and production company focused on the discovery, development and production of gas and associated liquids.

Highlights

During H1-2020, the Company continued to progress its 2019 work program, which targeted an increase in liquid rich gas production and associated revenues. The key highlights and activities for H1 were:

- Sales revenue of A$10,993,708 (6 months) following steady gas production, averaging 8.0 TJ/day (normalised)
- The South Nicholson Basin Farm-in Agreement with Santos was executed, with an initial payment of A$15,000,000 being received in December 2019
- Significant project work was completed, setting the foundation for improved production into 2020 and beyond:
  - Myall Creek #5A commenced flowback operations on 22 December 2019, with initial flow rates of 2.37 mmscf/day
  - Horseshoe #4 drilling was completed on 12 November 2019, with the well completion operations occurring in January 2020
  - Myall Creek North #1 drilling was completed, with the well completion operations occurring in January 2020
- Completion of a Private Placement, raising A$4,000,000 in equity funds.

Kincora Project

Roma Shelf Growth Strategy

The Company delivers gas to the Eastern Australian market from its Kincora Gas Project. Refer to Figure 1: The Company's Roma Shelf Growth Strategy. Gas from the Company's production leases is processed through its Kincora Gas Plant in the Bowen-Surat Basin and is subsequently delivered to the Eastern Australian Gas Market via the Wallumbilla pipeline.

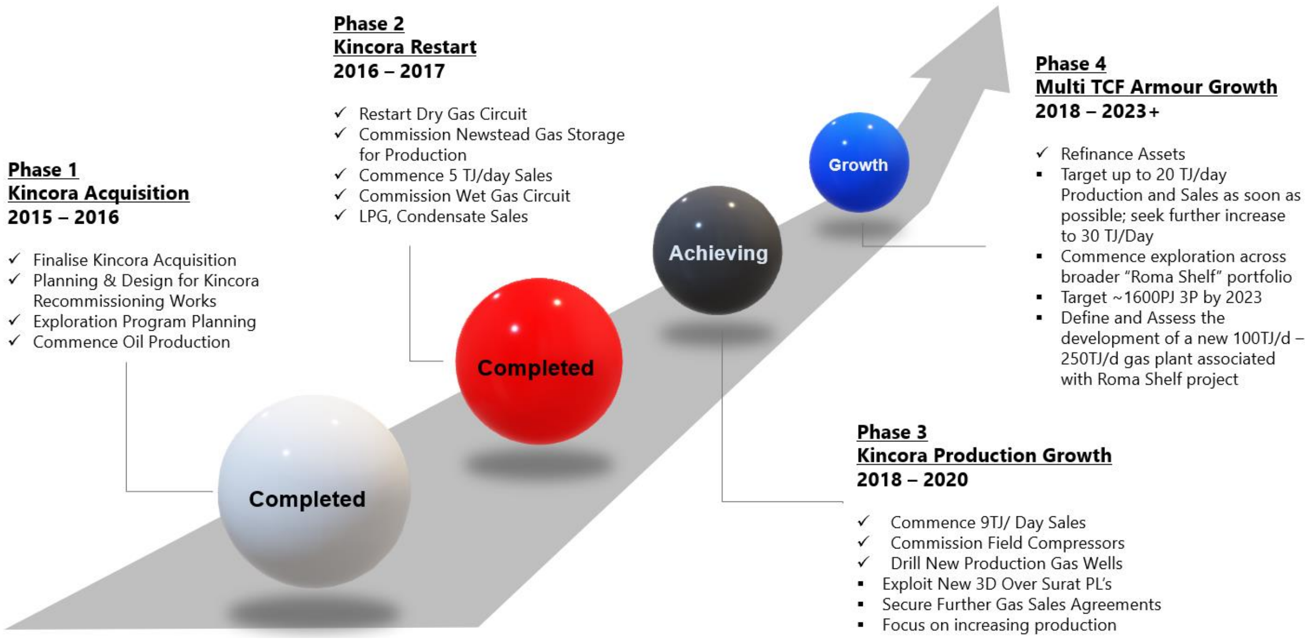

Figure 1: The Company's 4 Phase Growth Strategy

Sales Revenue

H1-2020 realised consistent sales revenue of Gas, LPG, Condensate and Crude across the Company's well portfolio. Gas sales averaged 8.0 TJ/day (normalised), predominantly from existing wells with liquid rich gas, therefore providing LPG and condensate which contributed strongly to sales revenue.

During August 2019, production and sales were impacted by an outage to the C101 compressor which resulted in reduced daily production rates due to the LPG gas circuit of the Kincora Gas Plant being down for a period of 26 days. During this period, the Company was able to continue at a reduced production rate from the Newstead Gas Storage facility and select Kincora wells. The Company was also able to successfully complete a significant amount of maintenance work which had been planned to be undertaken in the future. The Kincora plant returned to full operations on 27 August 2019.

After normalisation to account for the period of downtime of 26 days, gas sales for the half-year ended averaged 8.0 TJ/day, which represents a decrease of 0.4 TJ/day (or 5%) of gas sales (and production) in comparison to the half year ended 31 December 2018. In addition to this, the Company also produced condensate at approximately 148 bbls/day and LPG at approximately 11 tonnes/day.

Sales for the half -year period July to December	Half-year FY19 *	Half-year FY18	Movement
Sales revenue ($ million)	$11.0m	$13.1m	$(2.1)m
Average Gas Sales* per day (TJ/day)	8.0	8.4	(0.4)
Average LPG Sales per Day (Tonnes/day)	11.0	13.6	(2.6)
Average Oil/Condensate Sales per Day (bbl/day)	148	161	(13)

Table 1 - Production and sales summary

***** Production normalised to exclude period of 26 days of reduced production from the Kincora Gas Plant

Tenements

The Group's significant Kincora Project tenement acreage, which is supported by complementary exploration acreage, provides potential to access an immense volume of over-pressured, continuous hydrocarbon-saturated tight Triassic and Permian reservoir section over which Armour will prepare a Field Development Plan. The Field Development Plan will aim to prove the potential of a multi-TCF Play.

Drilling and Development Activities

Armour's work program supports Phase 3 of the Company's Roma Shelf Growth Strategy. The 2019 Work Program was designed to increase gas production through the Kincora plant. Through this Work Program, Armour focused on three wells: Myall Creek #5A, Myall Creek North #1 and Horseshoe #4.

The two drill targets, Myall Creek North #1 (MCN1) and Horseshoe #4 (H4), aimed to access both the conventional and tight gas potential of the demonstrated working hydrocarbon system in the regional Permian and Triassic reservoirs in the prolific Myall Creek Field. Both wells will be tied into the Kincora Gas Plant for commercial production in early 2020.

The stimulation on Myall Creek #5A was successfully completed and the Company has undertaken the completion of this well, including the installation of the well's production string. Flowback operations commenced during the week commencing 16 December 2019.

A workover campaign to optimise and increase production from existing wells which Armour has recently recommissioned has added initial production rates up to 0.5TJ/d (Riverside #1 (0.1TJ/d), Parknook #2 (0.2TJ/d) and Kungarri #1 (0.2TJ/d). Further, Myall Creek #4A, which was drilled in 2018, has been reconnected and is now producing at approximately 0.6 TJ/d.

A Work Program for 2020 is being finalised by management with the objective of increasing both oil and gas production from the existing fields, including plans to test the production potential of four historic oil wells in early

2020. In addition to this, exploration activities across the Company's broader portfolio of Authorities to Prospect (ATP) on the Roma Shelf have continue with iodine sampling and airborne surveys. The total number of targets for the 2020 well program remains subject to optimisation and budget reviews.

Murrungama Gas Project, Authority to Prospect No. 2046 (ATP2046) (now PL1084) – Armour 10%

On 18 July 2019, the Company advised that the Queensland Department of Natural Resources, Mines and Energy (DNRME) had formally awarded ATP2046 to a joint venture between the Company (10%) and Australia Pacific LNG Pty Ltd (APLNG) (90% and Operator) (Joint Venture).

ATP2046 is an 18km^2 coal seam exploration tenure located 22km south-west of Chinchilla and adjoins APLNG's Talinga Project, through which produced gas and water will be processed. ATP2046 is surrounded by currently producing CSG fields and is anticipated to likely have similar reservoir properties and production as the Talinga Gas Field.

The ATP 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.

The Joint Venture continues to progress with plans for its development. Subsequent to the end of the period, the DNRME granted a Petroleum Production Licence (PL1084) over the area of ATP2046 (refer to ASX announcement dated 11 March 2020).

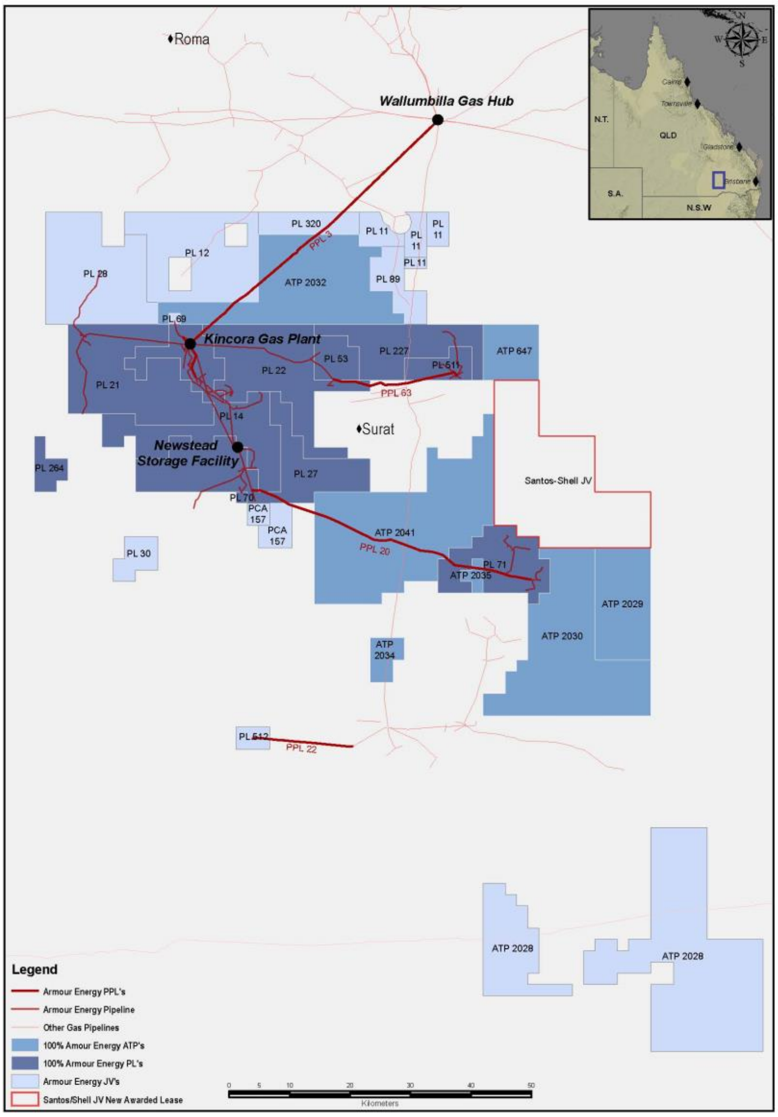

Figure 2: Map showing Armour's Roma Shelf, Surat Basin

South Nicholson Basin Farmin Agreement

As announced on 4 December 2019, the South Nicholson Basin Farmin Agreement with Santos QNT Limited (Santos) has now been executed.

A summary of the key terms includes:

- An initial cash payment of A$15,000,000, for the transfer of a 70% interest and operatorship of ATP1087 to Santos, was received within 5 business days of execution of the Farmin Agreement
- the Company may receive further cash payments of up to A$15,000,000 in total (being A$3,000,000 for up to 5 additional tenements which are currently at application stage (Farmin Permits)), and Santos may acquire a 70% and operated interest in the Farmin Permits, if further conditions are satisfied such as: the granting of the Farmin Permits, Santos accepting the conditions of the Farmin Permits and any Key Agreements (being Land access and Native Title agreements) relating to those Farmin Permits
- Santos to sole fund the work program expenditure on the Farmin Permits up to a total capped amount of A$64.9 million (Total Capped Amount) across the Farmin Permits. However, Santos may exercise its withdrawal rights which will reduce the Total Capped Amount.

Under the Farmin Agreement, Santos has the right to earn a 70% interest in title and operatorship of the Company's North Queensland tenements, being ATP1087 (which is granted and the Company is in the process of transferring the 70% interest to Santos), and ATP1107, ATP1192 and ATP1193 (currently in the application phase), and the Northern Territory tenements EP172 and EP177, both of which are also in the application phase. The remainder of the Company's Northern Territory exploration portfolio is not subject to, or affected by, this Farmin Agreement.

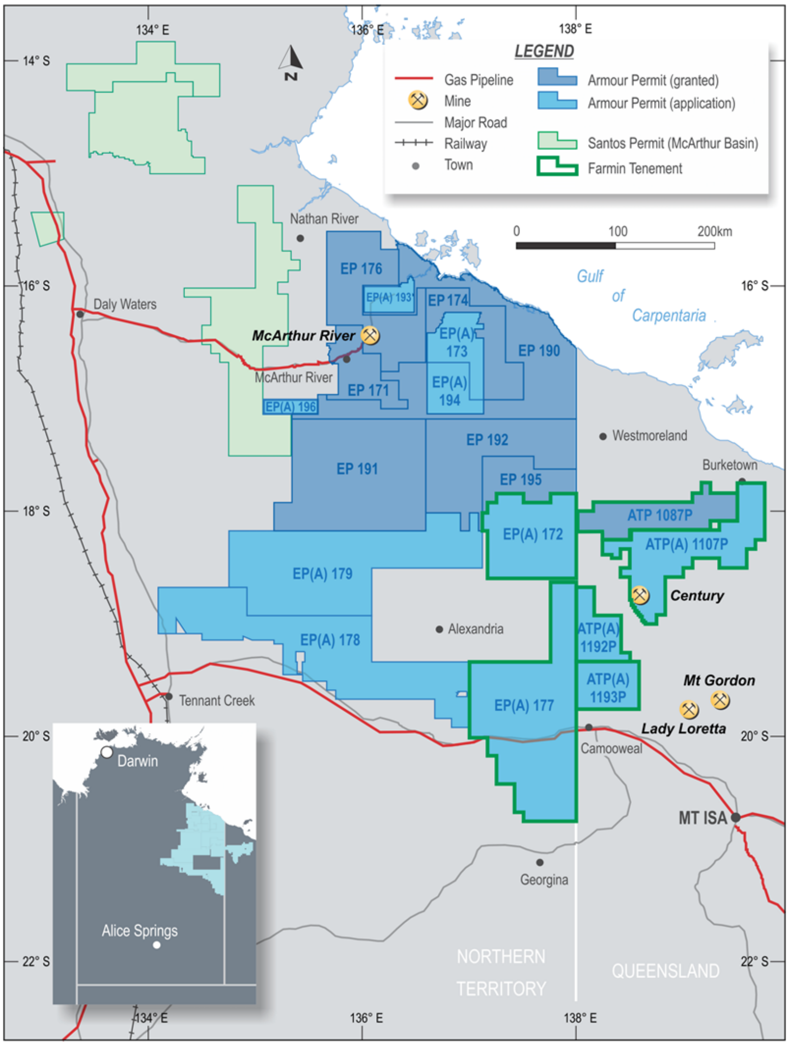

Figure 3: Map showing the Farm-in Tenements within the blue border

Corporate activity

Capital raising – Private Placement

The Company announced on 23 September 2019 that it had successfully closed a private placement raising gross proceeds of $4,000,000, via the allotment of 80 million shares, at a price of 5 cents each. Investors received one (1) unlisted option which is exercisable at 8 cents (through to 30 September 2023), for every two (2) shares subscribed for in the placement.

Chief Executive Officer Changes

The Board of Directors advised on 24 July 2019 that Mr Roger Cressey resigned as Chief Executive Officer of Armour Energy Limited, after being with the Company for 8 years. Mr Cressey ceased his employment with the Company on 23 October 2019.

Furthermore, Armour announced on 24 October 2019 the appointment of Mr Richard Fenton as Interim CEO. Mr Fenton was formerly Armour's General Manager, Corporate Affairs and is currently an Executive Consultant of Advisian, being the global consulting business of the Worley Group. Mr Fenton is contracted to the Company until the commencement of the full-time CEO.

Subsequent to the end of the period, Armour announced the appointment of Mr Bruce Clement as CEO. Mr Clement has had an extensive and successful career in the upstream energy sector, including 40 years' experience in Australia and internationally having held engineering, technical, operational, financial, senior management, and board positions with a variety of companies including ExxonMobil, Ampolex, AIDC, Roc Oil, AWE and Santos.

He has previously served as Managing Director of two ASX listed energy companies, Roc Oil Company Limited (2008 to 2011) and AWE Limited (2011 to 2016). Most recently, Mr Clement was Executive Vice President, Conventional Oil and Gas for Santos Limited (refer ASX announcement of 12 March 2020).

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 half-year ended 31 December 2019.

Directors

The following persons were Directors of Armour Energy Limited during the whole of the financial half-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

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 developing its 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.

Review and results of operations

The loss for the Group after providing for income tax amounted to $7,047,038 (31 December 2018: $5,285,774).

The review of operations is discussed under the heading "Review of Operations".

Significant changes in the state of affairs

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

Events after the Reporting Date

Subsequent to 31 December 2019, Armour has sought proposed amendments to the terms of the Company’s $55 million Secured Amortising Notes (Notes) and has issued a Notice of Circulating Resolution with an attaching Explanatory Memorandum (Notice) to holders of the Notes to seek approval by way of a special resolution of Noteholders (the Special Resolution) to amend the Conditions of the Notes.

For the full terms and the commercial rationale setting out the reasons for the proposed amendments please refer to the Notice that is attached to the Company’s ASX announcement dated 12 March 2020. The existing Conditions attaching to the Notes were set out in the Company’s ASX announcement dated 29 March 2019.

The proposed amendments include the following:

1. New Note principal amortisation schedule including 4 quarterly payments in the calendar year 2020 totalling approximately $6,000,000;

2. Further unscheduled amortisation payment arrangements to cover certain future asset disposals or further farm-in proceeds received from the Santos Farm-In Agreement;

3. Amendments to Financial Undertakings, including the Debt Service Cover Ratio, the Leverage Ratio and the Gearing Ratio;

4. Amendments to extend the Debt Lock Up Date to 31 December 2020;

5. The establishment of an EBITDA performance benchmark for the 2020 calendar year;

6. Amendments to certain Conditions (Financial Accommodation and Disposals) in connection with the Ugandan Oil Project;

7. Allow for the grant of certain Security interests and the provision of Financial Accommodation in relation to Joint Ventures; and

8. Amendments to permit voluntary early redemption of the Notes.

Whilst the Company, based on discussions to date, believes approval from Noteholders should be forthcoming, no assurance can be given that the amendments will ultimately be approved.

The Company has announced the appointment of Mr Bruce Clement as Armour's Chief Executive Officer on 12 March 2020.

No other matter or circumstance has arisen since 31 December 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.

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.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors

Nicholas Mather
Chairman

13 March 2020
Brisbane

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DECLARATION OF INDEPENDENCE BY R M SWABY TO THE DIRECTORS OF ARMOUR ENERGY LIMITED

As lead auditor for the review of Armour Energy Limited for the half-year ended 31 December 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

R M Swaby
Director

BDO Audit Pty Ltd

Brisbane, 13 March 2020

	Note	Consolidated 31 December 2019 $	31 December 2018 $
Revenue			
Revenue from sales	5	10,993,708	13,115,698
Cost of goods sold		(10,477,474)	(9,526,287)
Gross profit		516,234	3,589,411
Other income		7,877	6,029
Interest revenue		77,161	106,375
Expenses			
General and administrative expenses		(2,967,092)	(3,152,991)
Exploration expenditure written off		(520,491)	(71,329)
Finance costs		(3,545,317)	(5,343,955)
Loss from sale of fixed asset		-	(27,128)
Share option expense		(212,800)	(21,068)
Loss before income tax expense	6	(6,644,428)	(4,914,656)
Income tax expense		(402,610)	(371,118)
Loss after income tax expense for the half-year attributable to the owners of Armour Energy Limited		(7,047,038)	(5,285,774)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Change in fair value of financial assets at fair value through Other Comprehensive Income		(1,487,510)	(1,064,370)
Income tax on items that may be reclassified to profit or loss		446,254	318,750
Other comprehensive income for the half-year, net of tax		(1,041,256)	(745,620)
Total comprehensive income for the half-year attributable to the owners of Armour Energy Limited		(8,088,294)	(6,031,394)
		Cents	Cents
Basic loss per share	19	(1.3)	(1.1)
Diluted loss per share	19	(1.3)	(1.1)

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

	Note	Consolidated 31 December 2019 $	30 June 2019 $
Assets			
Current assets			
Cash and cash equivalents		12,635,319	9,225,176
Trade and other receivables		2,226,503	2,667,516
Inventories		2,486,075	1,960,822
Other current assets		855,406	522,734
Total current assets		18,203,303	14,376,248
Non-current assets			
Other financial assets	7	8,819,111	10,516,785
Property, plant and equipment		38,260	38,125
Right-of-use assets		319,234	314,277
Exploration and evaluation assets	8	34,193,389	49,276,740
Oil and gas assets	9	55,078,420	42,344,331
Total non-current assets		98,448,414	102,490,258
Total assets		116,651,717	116,866,506
Liabilities			
Current liabilities			
Trade and other payables	10	9,474,528	4,140,312
Lease liabilities		216,266	168,797
Provisions	11	322,270	309,040
Borrowings		38,381	1,241,506
Deferred consideration	12	1,000,000	1,000,000
Total current liabilities		11,051,445	6,859,655
Non-current liabilities			
Borrowings	13	58,055,464	57,444,029
Lease liabilities		81,700	108,861
Employee benefits		58,683	51,371
Provision for restoration and abandonment	14	6,688,065	6,688,065
Deferred consideration		-	919,143
Total non-current liabilities		64,883,912	65,211,469
Total liabilities		75,935,357	72,071,124
Net assets		40,716,360	44,795,382
Equity			
Issued capital	15	110,335,300	106,538,828
Reserves	16	2,440,239	3,268,695
Retained earnings/ (accumulated losses)		(72,059,179)	(65,012,141)
Total equity		40,716,360	44,795,382

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

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2018	96,367,882	7,474,762	(58,996,813)	44,845,831
Loss after income tax expense for the half-year	-	-	(5,285,774)	(5,285,774)
Other comprehensive income for the half-year, net of tax	-	(745,620)	-	(745,620)
Total comprehensive income for the half-year	-	(745,620)	(5,285,774)	(6,031,394)
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
Shares issued during the year	10,313,518	-	-	10,313,518
Share issue costs	(255,858)	-	-	(255,858)
Recognition of deferred tax assets relating to share issue costs	52,368	-	-	52,368
Share-based payments	-	21,068	-	21,068
Balance at 31 December 2018	106,477,910	9,622,702	(64,282,587)	51,818,025

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2019	106,538,828	3,268,695	(65,012,141)	44,795,382
Loss after income tax expense for the half-year	-	-	(7,047,038)	(7,047,038)
Other comprehensive income for the half-year, net of tax	-	(1,041,256)	-	(1,041,256)
Total comprehensive income for the half-year	-	(1,041,256)	(7,047,038)	(8,088,294)
Transactions with owners in their capacity as owners:				
Shares issued during the year	4,080,114	-	-	4,080,114
Share issue costs	(240,000)	-	-	(240,000)
Recognition of deferred tax assets relating to share issue costs	(43,642)	-	-	(43,642)
Share-based payments - unlisted options	-	212,800	-	212,800
Balance at 31 December 2019	110,335,300	2,440,239	(72,059,179)	40,716,360

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

	Consolidated	
	31 December 2019 $	31 December 2018 $
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	13,070,716	14,602,888
Payments to suppliers and employees (inclusive of GST)	(6,184,336)	(5,765,574)
Payments for production	(10,996,407)	(10,546,097)
Interest received	76,603	112,973
Interest paid	-	(45)
Other income	7,877	1,985
Net cash used in operating activities	(4,025,547)	(1,593,870)
Cash flows from investing activities		
Refund/(payments) for security deposits	254,517	(214,079)
Payments for property, plant and equipment	-	(22,187)
Payments for oil and gas assets	(9,485,739)	(8,694,244)
Payments for exploration and evaluation	(128,571)	(350,792)
Research and Development funds in relation to oil and gas assets	1,978,773	-
Farmin Agreement funds received for exploration asset	15,000,000	-
Net cash from/(used in) investing activities	7,618,980	(9,281,302)
Cash flows from financing activities		
Proceeds from issue of shares	4,000,000	10,159,392
Proceeds from borrowings	-	6,759,200
Repayment of borrowings	(3,919,290)	(3,188,770)
Transaction costs on the issue of shares and notes	(264,000)	(275,443)
Net cash from/(used in) financing activities	(183,290)	13,454,379
Net increase in cash and cash equivalents	3,410,143	2,579,207
Cash and cash equivalents at the beginning of the financial half-year	9,225,176	5,104,627
Cash and cash equivalents at the end of the financial half-year	12,635,319	7,683,834

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

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.

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.

A description of the nature of the Group's operations and its principal activities are included in the Directors' report, which does not form part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 13 March 2020.

Note 2. 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.

During H1-2020, the Group has achieved stable production resulting in A$10,993,708 of revenue. The Group is aiming to significantly increase revenue over the coming twelve (12) months following the implementation of a multi-stage field development plan which is designed to exploit the Group's reserves.

The Group generated a consolidated net loss before tax of $6,644,428 and incurred operating cash outflows of $4,025,547 in H1-2020. As at 31 December 2019, the Group held cash and cash equivalents of $12,635,319, net current assets of $7,151,858, and net assets of $40,716,360.

Whilst there is growing confidence in the performance of the Kincora Gas Plant and the future ramp up of production in 2020, 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:

- The cash generating ability of the Kincora Project will continue to increase based on the Group's successful application of its growth strategy to increase production levels;
- The implementation of the field development plan will require capital investment, and the Group could manage capital and liquidity by taking some or all of the following actions:
- Raising additional capital or securing other forms of financing, as and 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 receipt, and other Government incentives; and
- Disposing of non-core assets.
- The company's expectation that the noteholders will approve the requested amendments to the terms of the company's $55M Secured Amortising Notes, as detailed in the company's ASX announcement of 12 March 2020 and summarised in the subsequent events note included in these financial statements.

Note 2. Going concern (continued)

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.

The financial statements do not include any adjustment relating to the recoverability and reclassification of the recorded assets 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 above and thus be able to continue as a going concern.

Note 3. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 16 Leases

The Group has adopted AASB 16 from 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs).

In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss.

For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated.

Note 3. Significant accounting policies (continued)

Right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

Lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Note 4. 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 "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 half-year ended 31 December 2019, Management identifies the Group as having two reportable segments, being exploration activities (Exploration & Evaluation), and the production and development of oil, gas, LPG and condensate in the Surat Basin, Queensland (Production & Development), and will report on these segments accordingly.

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 reported to the CODM is on a monthly basis.

Note 4. Operating segments (continued)

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.

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 corporate financing activities.

Note 4. Operating segments (continued)

Operating segment information

Consolidated - 31 December 2019	Exploration & Evaluation $	Production & Development $	Unallocated/ Corporate $	Total $
Revenue				
Sales	-	10,993,708	-	10,993,708
Total revenue	-	10,993,708	-	10,993,708
EBITDA	(520,491)	1,040,291	(4,236,274)	(3,716,474)
Depreciation and amortisation	-	(516,180)	(7,618)	(523,798)
Interest revenue	-	71,858	5,303	77,161
Other income	-	-	7,877	7,877
Finance costs	-	(1,014,993)	(1,474,201)	(2,489,194)
Loss before income tax expense	(520,491)	(419,024)	(5,704,913)	(6,644,428)
Income tax expense				(402,610)
Loss after income tax expense				(7,047,038)
Assets				
Segment assets	34,193,389	71,980,715	-	106,174,104
Unallocated assets:				
Unallocated assets:				10,477,613
Total assets				116,651,717
Liabilities				
Segment liabilities	17,091	27,192,799	-	27,209,890
Unallocated liabilities:				
Unallocated liabilities				48,725,467
Total liabilities				75,935,357

Note 4. Operating segments (continued)

Consolidated - 31 December 2018	Exploration & Evaluation $	Production & Development $	Unallocated/ Corporate $	Total $
Revenue				
Sales	-	13,115,698	-	13,115,698
Total revenue	-	13,115,698	-	13,115,698
EBITDA	-	3,782,111	(2,838,584)	943,527
Depreciation and amortisation	-	(519,852)	(8,323)	(528,175)
Impairment of assets	(71,329)	-	-	(71,329)
Loss on disposal of assets	-	(21,099)	-	(21,099)
Interest revenue	-	-	106,375	106,375
Finance costs	-	(733,823)	(4,610,132)	(5,343,955)
Profit/(loss) before income tax expense	(71,329)	2,507,337	(7,350,664)	(4,914,656)
Income tax expense				(371,118)
Loss after income tax expense				(5,285,774)
Consolidated - 30 June 2019				
Assets				
Segment assets	49,276,740	57,864,083	-	107,140,823
Unallocated assets:				
Unallocated assets				9,725,676
Total assets				116,866,499
Liabilities				
Segment liabilities	17,091	16,610,192	-	16,627,283
Unallocated liabilities:				
Unallocated liabilities				55,450,829
Total liabilities				72,078,112

Note 5. Revenue

	Consolidated	
	31 December 2019 $	31 December 2018 $
Revenue from contracts with customers:		
Sale of petroleum products (Kincora Project)	10,993,708	13,115,698

Note 6. Expenses

	Consolidated 31 December 2019 $	Consolidated 31 December 2018 $
Loss before income tax includes the following specific expenses:		
Finance costs		
Corporate note interest expense	2,406,250	-
Interest and amortisation on right of use assets	114,533	-
Financing fees	309,917	272,801
Convertible note coupons	-	3,097,543
Convertible note issue costs	127,208	347,852
Tribeca loan facility issue costs	12,878	10,732
Amortisation of convertible notes	-	1,170,618
Amortisation of Tribeca loan facility	493,674	402,312
Unwinding of provision for contingent consideration	80,857	62,616
Gain (loss) on conversion of convertible notes to shares	-	(20,519)
Finance costs expensed	3,545,317	5,343,955
Superannuation expense		
Defined contribution superannuation expense	236,092	183,424

Note 7. Non-current assets - Other financial assets

	Consolidated 31 December 2019 $	Consolidated 30 June 2019 $
Financial assets at fair value through other comprehensive income	2,125,010	2,125,010
Less: Provision for impairment	(1,487,510)	-
	637,500	2,125,010
Financial assurances	6,778,017	6,988,181
Security deposits	1,403,594	1,403,594
	8,819,111	10,516,785

Note 7. Non-current assets - Other financial assets (continued)

	Consolidated	
	31 December 2019	30 June 2019
Movements in financial assets at fair value through Other Comprehensive Income		
Opening balance at 1 July	2,125,010	4,252,000
Fair Value adjustments through Other Comprehensive Income	(1,487,510)	(2,126,990)
	637,500	2,125,010

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.

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. These securities are presented separately in the consolidated statement of financial position.

The fair values of financial assets approximate their carrying amounts principally due to the fact that they are measured and recognised at fair value. Level 3 inputs, being unobservable inputs have been used in determining the fair value of the LKO Investment. The fair value was based on an external valuation report that determined the implied equity value of the recent convertible notes raised issued in by LKO.

Note 8. Non-current assets - Exploration and evaluation assets

	Consolidated	
	31 December 2019 $	30 June 2019 $
Exploration and evaluation assets	40,983,813	56,067,164
Less: Impairment	(6,790,424)	(6,790,424)
	34,193,389	49,276,740

	Consolidated	
	31 December 2019 $	30 June 2019 $
Movements in carrying amounts		
Balance at the beginning of the year	49,276,740	48,903,126
Additions	437,140	490,096
Farmin agreement executed for exploration asset	(15,000,000)	-
Exploration expenditure written off	(520,491)	(71,329)
Provision for impairment	-	(45,153)
	34,193,389	49,276,740

Note 8. Non-current assets - Exploration and evaluation assets (continued)

Farmin agreement executed for exploration asset

The South Nicholson Basin Farmin Agreement between the Company and Santos QNT Limited (**Santos**) was executed during December 2019. A summary of the key terms includes:

- An initial cash payment of $A15,000,000, for the transfer of a 70% interest and operatorship of ATP1087 to Santos, was received within 5 business days of execution of the Farmin Agreement;
- Under the Farmin Agreement, Santos has the right to earn a 70% interest in Armour's North Queensland tenements, being ATP1087 (granted), and ATP1107, ATP1192 and ATP1193 (applications), and the Northern Territory tenements EP172 and EP177, both of which are also in the application phase;
- The Company may receive further cash payments of up to A$15,000,000 in total (being A$3,000,000 following the formal grant by the Queensland and Northern Territory Government up to 5 additional tenements which are currently at application stage (**Farmin Permits**), and Santos may acquire a 70% and operated interest in the Farmin Permits, if further conditions are satisfied such as: the granting of the Farmin Permits, Santos accepting the conditions of the Farmin Permits and any Key Agreements (being land access and Native Title agreements) relating to those Farmin Permits; and
- In respect to ATP1107, Santos' Farmin obligations include to make to Armour the transfer payment of A$3 million (as reimbursement for the total costs already incurred on the South Nicholson Project) (the Transfer Payment), and to accept their 70% interest in this specific tenure is subject to the formal granting of the tenure to Armour by the Queensland Government; and Santos in its complete discretion, confirming to Armour in writing within 60 days of the grant of the tenement that the permit conditions and relevant Key Agreements are acceptable to Santos.

Subject to satisfaction or waiver of the conditions outlined above, Santos will free carry 100% of Armour's share of expenditure for the various work programs for all of the Farmin Permits up to a Total Capped Amount of A$64.9 million (inclusive of the A$12.5 million work program associated with ATP1087). However, Santos may exercise its withdrawal rights which will reduce the Total Capped Amount.

Minimum work commitments on a specific Farmin Permit which are not covered by Santos' expenditure commitments under the Farmin work program, will be carried out as joint operations under a joint operating agreement to be entered into respect of each tenure and funded by the parties in proportion to their respective participating interests.

The remainder of the Company's Northern Territory exploration portfolio is not subject to, or affected by, this Farmin Agreement. During 2020, the Company will be marketing other potential Farmin opportunities covering other Northern Territory exploration projects within the portfolio.

Note 8. Non-current assets - Exploration and evaluation assets (continued)

	Consolidated	
	31 December 2019	30 June 2019
	$	$
Movements in the provision for impairment amounts		
Balance at the beginning of the year	(6,790,424)	(6,745,271)
Provisions (raised)/ released	-	(45,153)
	(6,790,424)	(6,790,424)

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.

Note 9. Non-current assets - Oil and gas assets

	Consolidated	
	31 December 2019	30 June 2019
	$	$
Oil & Gas assets - at cost	68,294,933	53,072,117
Less: Accumulated amortisation	(3,389,088)	(2,872,907)
	64,905,845	50,199,210
Less: R&D grants relating to Oil & Gas assets	(4,388,589)	(2,416,043)
Less: GAP grants relating to Oil & Gas assets	(5,438,836)	(5,438,836)
	(9,827,425)	(7,854,879)
	55,078,420	42,344,331

Note 9. Non-current assets - Oil and gas assets (continued)

	Consolidated 31 December 2019 $	30 June 2019 $
Movements in carrying amounts		
Balance at the beginning of the year	42,344,331	30,987,611
Additions	15,222,817	15,666,066
Disposals	-	(73,237)
Depreciation charge	(516,180)	(1,116,869)
R&D grants relating to Oil and Gas assets	(1,972,548)	-
Gas Acceleration Program grants relating to Oil and Gas assets	-	(3,119,240)
	55,078,420	42,344,331

Note 10. Current liabilities - Trade and other payables

	Consolidated 31 December 2019 $	30 June 2019 $
Trade payables	4,655,689	2,613,838
Other tax liabilities	39,118	33,827
GST payable	-	114,576
Accrued expenses	4,779,721	1,378,071
	9,474,528	4,140,312

Trade payables are non-interest bearing and are generally on 30-60 days terms. Due to the short-term nature of these payables, their carrying value is assumed to approximate fair value.

Note 11. Current liabilities - Provisions

	Consolidated 31 December 2019 $	30 June 2019 $
Employee benefit obligations	322,270	309,040

Note 12. Current liabilities - Deferred consideration

	Consolidated	
	31 December 2019	30 June 2019
	$	$
Deferred consideration	1,000,000	1,000,000

There is a deferred consideration element to the acquisition of Oil and Gas Assets from Origin Energy in 2015. This element consisted of three $1 million payments to be made on the 1st, 2nd and 3rd anniversary of first gas from any of the assets acquired under the business combination. The 3rd and final payment is due to be completed during September 2020.

Note 13. Non-current liabilities - Borrowings

	Consolidated	
	31 December 2019	30 June 2019
	$	$
Tribeca loan facility	5,155,118	4,648,566
Corporate notes	55,000,000	55,000,000
Corporate notes - issue costs	(2,109,249)	(2,233,323)
Lease liability	9,595	28,786
	58,055,464	57,444,029

	Consolidated	
	31 December 2019	30 June 2019
	$	$
Tribeca loan facility		
Movement in carrying amounts		
Face value of loan facility	6,759,200	6,759,200
Issue costs of loan facility - liability component	(137,218)	(137,218)
Other equity securities - value of conversion rights, net of issue costs	(2,893,012)	(2,893,012)
Amortisation of loan facility	1,389,660	895,986
Amortisation of issue costs	36,488	23,610
	5,155,118	4,648,566

Note 13. Non-current liabilities - Borrowings (continued)

Security disclosures

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.

Note 14. Non-current liabilities - Provision for restoration and abandonment

	Consolidated	
	31 December 2019 $	30 June 2019 $
Restoration and abandonment	6,688,065	6,688,065

Note 15. Equity - Issued capital

	Consolidated			
	31 December 2019 Shares	30 June 2019 Shares	31 December 2019 $	30 June 2019 $
Ordinary shares - fully paid	590,601,594	509,437,570	116,895,259	112,812,187
Share issue costs	-	-	(8,521,525)	(8,288,437)
Recognition of deferred tax asset relating to share issue costs	-	-	1,961,566	2,015,078
	590,601,594	509,437,570	110,335,300	106,538,828

Note 15. Equity - Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2019	509,437,570		106,538,828
Private Placement	30 September 2019	80,000,000	$0.05	4,000,000
Employee shares	5 November 2019	1,164,384	$0.05	80,114
Share issue costs		-	$0.00	(240,000)
Recognition of deferred tax assets relating to share issue costs		-	$0.00	(43,642)
Balance	31 December 2019	590,601,954		110,335,300

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.

Note 16. Equity - Reserves

	Consolidated	
	31 December 2019 $	30 June 2019 $
Financial assets at fair value through other comprehensive income reserve	(5,339,949)	(4,298,693)
Share-based payments option reserve	4,887,176	4,674,376
Tribeca loan option reserve	2,893,012	2,893,012
	2,440,239	3,268,695

Movements in reserves
Movements in each class of reserve during the current financial half-year are set out below:

Consolidated	Financial assets at fair value through OCI $	Share-based payments option reserve $	Equity conversion right - Tribeca Loan $	Total $
Balance at 1 July 2019	(4,298,693)	4,674,376	2,893,012	3,268,695
Revaluation - gross	(1,487,510)	-	-	(1,487,510)
Deferred tax	446,254	-	-	446,254
Share based payments - unlisted options	-	212,800	-	212,800
Balance at 31 December 2019	(5,339,949)	4,887,176	2,893,012	2,440,239

Note 17. Related party transactions

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

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

	Consolidated	
	31 December 2019 $	31 December 2018 $
Payment for goods and services:		
Payment for services from entity with significant influence - DGR Global Ltd (i)	228,000	228,000
Payment for services from other related party - Bizzell Capital Partners (ii)	240,000	-

(i) The Group has a commercial arrangement with DGR Global Ltd 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").

(ii) 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 was entitled to a capital raising fee of $240,000 on arm's length terms. Bizzell Capital Partners was also entitled to receive an allotment of 8 million unlisted options exercisable at 8 cents through to 30 September 2023. This transaction was approved by shareholders at the company's AGM in November 2020.

Note 18. Events after the reporting period

Subsequent to 31 December 2019, Armour has sought proposed amendments to the terms of the Company's $55 million Secured Amortising Notes (Notes) and has issued a Notice of Circulating Resolution with an attaching Explanatory Memorandum (Notice) to holders of the Notes to seek approval by way of a special resolution of Noteholders (the Special Resolution) to amend the Conditions of the Notes.

For the full terms and the commercial rationale setting out the reasons for the proposed amendments please refer to the Notice that is attached to the Company's ASX announcement dated 12 March 2020. The existing Conditions attaching to the Notes were set out in the Company's ASX announcement dated 29 March 2019.

The proposed amendments include the following:

Note 18. Events after the reporting period (continued)

1. New Note principal amortisation schedule including 4 quarterly payments in the calendar year 2020 totalling approximately $6m;
2. Further unscheduled amortisation payment arrangements to cover certain future asset disposals or further farm-in proceeds received from the Santos Farm-In Agreement;
3. Amendments to Financial Undertakings, including the Debt Service Cover Ratio, the Leverage Ratio and the Gearing Ratio;
4. Amendments to extend the Debt Lock Up Date to 31 December 2020;
5. The establishment of an EBITDA performance benchmark for the 2020 calendar year;
6. Amendments to certain Conditions (Financial Accommodation and Disposals) in connection with the Ugandan Oil Project;
7. Allow for the grant of certain Security interests and the provision of Financial Accommodation in relation to Joint Ventures; and
8. Amendments to permit voluntary early redemption of the Notes.

Whilst the Company, based on discussions to date, believes approval from Noteholders should be forthcoming, no assurance can be given that the amendments will ultimately be approved.

The Company has announced the appointment of Mr Bruce Clement as Armour's Chief Executive Officer on 12 March 2020.

No other matter or circumstance has arisen since 31 December 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.

Note 19. Earnings per share

	Consolidated 31 December 2019 $	Consolidated 31 December 2018 $
Loss after income tax attributable to the owners of Armour Energy Limited	(7,047,038)	(5,285,774)
	Number	Number
Weighted average number of ordinary shares used in calculating basic loss per share	550,012,463	466,002,154
Weighted average number of ordinary shares used in calculating diluted loss per share	550,012,463	466,002,154
	Cents	Cents
Basic loss per share	(1.3)	(1.1)
Diluted loss per share	(1.3)	(1.1)

Options are not considered dilutive due to losses made by the Group.
Options may become dilutive in the future.

The Directors' of the Group declare that:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the financial half-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.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors

Nicholas Mather
Chairman

13 March 2020
Brisbane

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Armour Energy Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Armour Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter – Material uncertainty relating to going concern

We draw attention to Note 2 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 conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit Pty Ltd

BDO

R M Swaby

R M Swaby
Director

Brisbane, 13 March 2020