Annual Report

For the year ended 30 June 2021

Competent Persons Statement

Technical Statement – Hydrocarbon Reserves

The independently verified 'Armour Energy Hydrocarbon Reserves, 30 June 2021' report details a high degree of confidence in the commercial producibility of Permian and Triassic aged reservoirs previously discovered and produced in operated granted petroleum licenses 511 and 227 using, recent Armour drilled and hydraulically stimulated wells, 2D-3D seismic, historic and modern well data, reservoir pressure data, electric logs and rock properties from chip and 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 Armour 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. Armour 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 Armour operated Kincora Project. The methodology used to determine the economic assumptions are based upon strategic objectives that include, but not limited to, new drills, hydraulic stimulation, workovers, recompletes and surface facility modifications to ramp up to and maintain a commercial 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.

The petroleum Reserves are located on granted petroleum licences with approved environmental authorities and financial assurances. Armour has a social licence to operate and relevant surface access agreements are in-place. Armour 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. Armour 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 and 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 -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.

Wellbores will be designed to protect aquifers and deviated drilling may be used to lessen the overall impact to surface owners, environmental receptors, strategic cropping and to consolidate surface infrastructure. Processing at the Kincora Gas Plant will be required to separate the extracted hydrocarbons into dry gas, liquid petroleum gas, oil, and condensate and to remove any impurities prior to sales.

Technical Statement – Oil & Gas Reserves

Armour Energy engaged the services Mr Teof Rodriguez, Director of TR&A, to provide independent expert review of reports on the operated Oil & Gas Reserves associated within the Company's Surat Basin acreage position. Mr. Rodriguez completed and documented his review at 30 June 2021.

Consents

The reserves information in this ASX release is based on, and fairly represents, data and supporting documentation prepared by, or under the supervision, of Mr Teof Rodrigues. Mr Rodrigues' primary discipline is Reservoir Engineering and during his 40-year period in the Industry has had the opportunity to work in multidisciplined teams to appreciate the importance of understanding the process involved in moving the hydrocarbons from the reservoir to the reference sales point. As the Chief Reservoir Engineer for 6 years he had the Corporate Reserves Team reporting to him. In addition, he had the responsibility of endorsing all the Major Projects and the key Reserves and Resource estimates of the Company. He is a Director of TR&A and an experienced petroleum Reserves and resources estimator with 40 years relevant experience. He has adhered to the ASX Listing Rules Guidance Note 32. His qualifications and experience meet the requirements to act as a Competent Person to report petroleum reserves under PRMS (2018). The Resources information in this ASX announcement was issued with the prior written consent of Mr Rodrigues in the form and context in which it appears.

The reserves review was carried out in accordance with the SPE Reserves Auditing Standards and the SPE-PRMS guidelines under the supervision of Mr. Michael Laurent, Chief Operating Officer, Armour Energy Limited. Mr Laurent's qualifications include being a professionally registered engineer in both Australia and Canada, has over 20 years of diverse oil and gas industry experience and has successfully held various senior managerial and GM positions. His career spans a number of sectors and includes expertise in reservoir, drilling, facilities, production and operations with particular emphasis on resource and business development. Experience is underpinned with strong strategic, commercial and technical acumen in both conventional and unconventional reservoirs. Prior to joining Armour Energy, Michael successfully held a variety of domestic and international technical leadership appointments. Most recently he worked for Santos where he was responsible for managing Cooper Basins oil and gas appraisal/development wells and field optimisation initiatives from inception through to approval and implementation. Mr Laurent has sufficient experience that is relevant to Armour's reserves and resources to qualify as a Reserves and Resources Evaluator as defined in the ASX Listing Rules. Mr Laurent has consented to the inclusion in this report of the matters based on his information in the form and context in which it appears.

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 (June 2018).

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.

"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 categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterised by their economic status.

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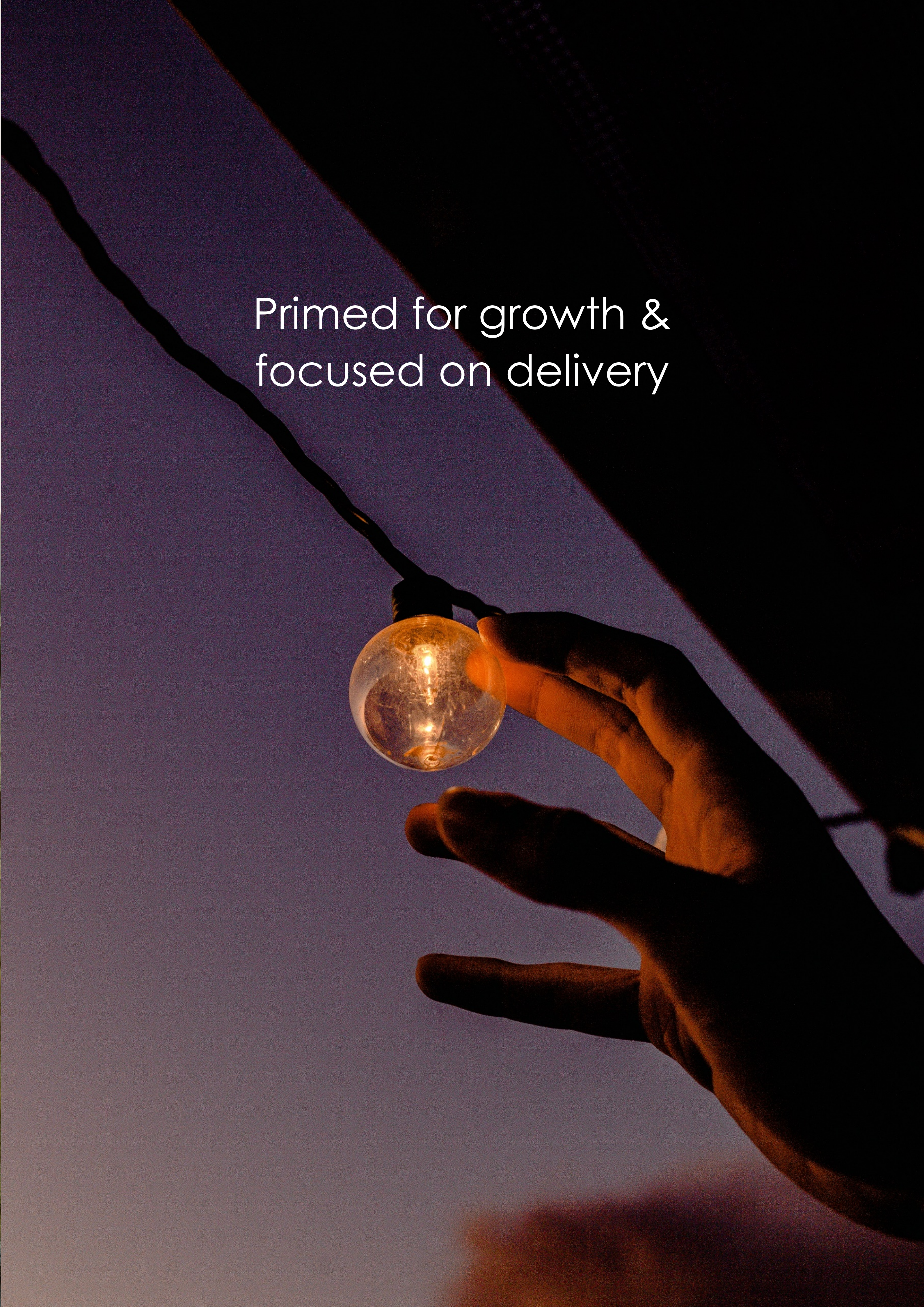

Primed for growth &
focused on delivery

Our Business

Our Purpose

To create a financially strong, healthy, and sustainable business that delivers value to shareholders.

Our Vision

To become one of Eastern Australia's prominent Oil & Gas explorers and producers, and participate in energy transition.

Our Values

We work as **one team** with a common purpose.

We act with **integrity** in everything we do.

We show **respect** to our team, stakeholders and the environment.

We have an **owners mindset**.

We are committed and look for **innovative solutions**.

Chairman's Report

Dear Shareholders

Whilst the last 18 months have presented Armour Energy with a range of challenges, I remain confident in the Company's future prospects.

In Amour's latest Investor Presentation, the Company has outlined eight priorities which are focused on delivering growth and positioning Armour for a strong future. By delivering on these priorities, Armour is fully focussed on delivering value for shareholders and will enable the Company to significantly strengthen its balance sheet.

Over the 2021 financial year, the Company reduced debt considerably by $18.7 million or 32%. This was achieved by fulfilling scheduled amortisation payments as well as accelerated principal amortisation payments following successful asset transactions. In early 2021 the Company completed an agreement with Santos to sell Armour's remaining interest in several South Nicholson Basin permits. With the completion of this additional transaction, the Company has received approximately $33 million in cash proceeds in relation to the South Nicholson Basin Project, whilst retaining 100% ownership and operatorship of the significant ATP(A) 1107 interest.

Notwithstanding some of the operational and work program challenges faced by the Company during the year, the company is focused on demonstrating value to shareholders in its core operating areas, the Surat and Cooper Basins, whilst extracting value from its Northern Basin assets.

In late 2020, the Company undertook a three well hydraulic stimulation work program with a frac service company contractor conducting the stimulation. The work program was expected to significantly uplift production at our Kincora plant in the Surat Basin however disappointingly the gel in the frac failed to breakdown resulting in a low-side outcome for the program. These areas continue to be attractive candidates for production stimulation and Armour has recently partnered with a private entity to re-stimulate one of these wells in October 2021 (Warroon #1). At the same time, Armour continues to pursue full remediation of the work program from the service company contractor.

To assist with funding for future exploration programs and to help accelerate the repayment of the Amour debt position, the Company is actively progressing further asset transactions. In March 2021 Armour announced the proposed demerger and separate ASX listing of Armour's Northern Basin Oil & Gas Business into McArthur Oil & Gas. Through the proposed demerger, Armour will unlock the value of the Northern Basin Business whilst also removing the debt burden on the Company. This will enable Armour to focus on building on the untapped exploration potential of both the Cooper and Surat Basins.

Significant progress has already been made on the McArthur transaction with a strong new proposed Board and Management team with a wealth of experience across the resources industry assembled. A range of regulatory and restructuring steps have been completed including the transfer of the permits into the new entity. In addition, Armour undertook the airborne survey on behalf of McArthur in advance of the proposed demerger and IPO.

In March 2021 and September 2021, Armour announced $11.5 million and $8.2 million capital raises via private placements to institutional and sophisticated investors. The Company has received very strong support through these raises.

Over the next 12 months, Armour's focus will be on:

- Completing the proposed demerger and IPO of the Northern Basin Business into McArthur Oil & Gas.
- Increasing its production at Kincora (Surat) through partnering to fund production enhancement work programs.
- Reducing the operating cost base across the business and improving profitability.
- Progressing exploration activity in the newly acquired Cooper-Eromanga Basins acreage as well as the existing Surat Basin acreage with a view of high-grading the leads and prospects portfolio.

The market for gas on the East Costs continues to be strong. Spot gas prices at Wallumbilla have recovered from the impacts of Covid-19 in 2020 and Armour remains confident that prices will continue to provide a strong market demand and prices for our products.

This year, for the first time, Armour's Annual Report specifically includes a Sustainability Report. The Company recognises the importance and increasing level of investor and regulatory expectation in relation to Environment, Social and Governance issues, including in relation to climate change. The Company will continue to make further progress in these areas in future periods.

I want to thank the Company's shareholders and external stakeholders for their continued support and patience during this period. We are very focused on transforming Armour Energy into a prominent oil and gas exploration and production company, with a commitment to delivering for our shareholders.

Yours sincerely

Nicholas Mather
Chairman

Operating and Financial Review

Executive Summary

Armour Energy Limited (Armour or the Company) and its controlled entities (the Group) is a Brisbane based ASX listed company focused on the exploration, development and production of gas and associated liquids resources. The Company's work programs aim to increase liquid rich gas production and revenues while focussing on becoming one of Eastern Australia's prominent onshore Oil and Gas explorers and producers.

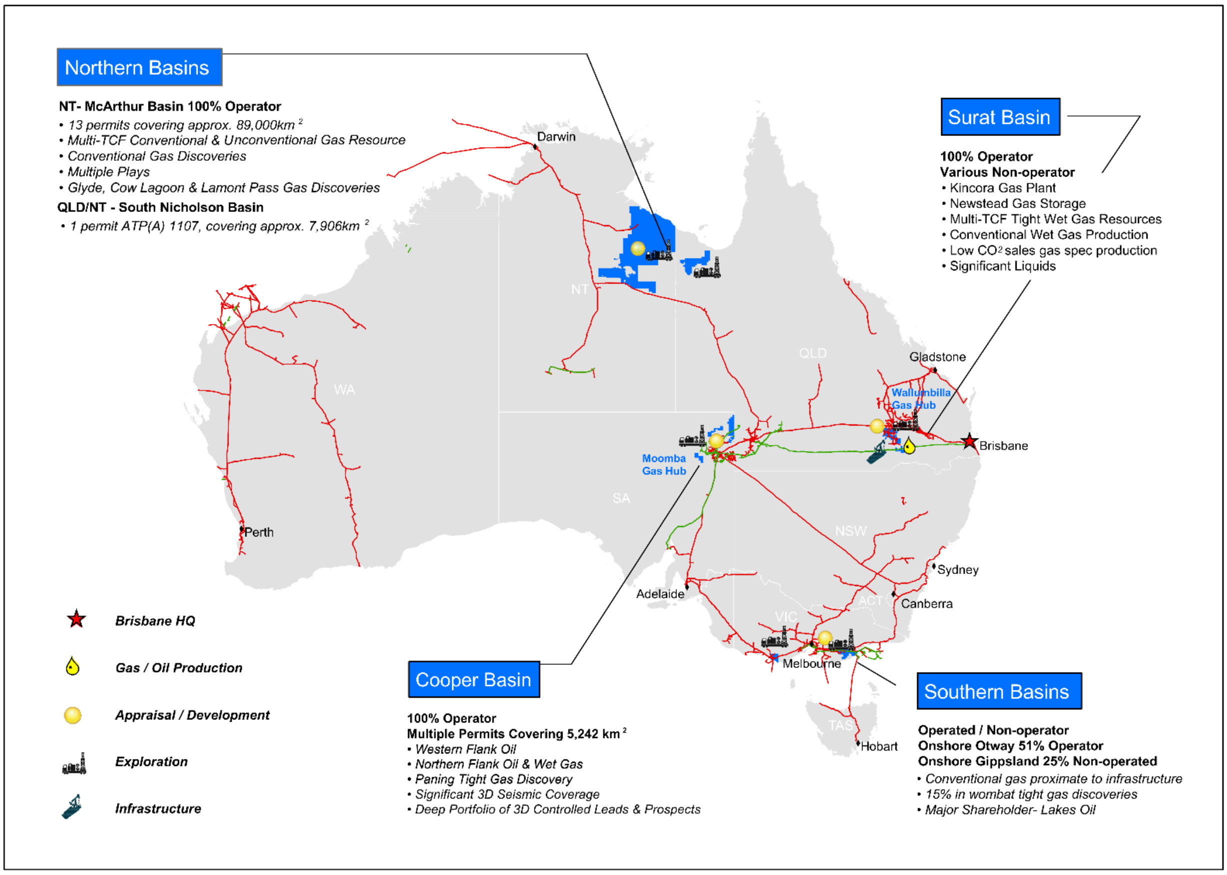


Figure 1 – Summary of Armour's assets and locations

Key Points

- Armour significantly reduced its debt under the Secured Amortising Notes by \$17.4 million, with \$11.4 million accelerated amortisation from asset transactions.
- Armour further reduced its debt under the Tribeca Facility by \$1.4 million due to the Queensland Department of Environment and Science decreasing their estimated rehabilitation cost for the Surat Basin Project and the sale of ATP 1087.
- Completed the sale of Armour's remaining 30% interest in various South Nicholson Basin Permits to Santos. As consideration, Armour received approximately \$12.2 million in cash plus retained 100% ownership of Authority to Prospect Application (ATP (A)) 1107.
- Completed the acquisition of Oilex Limited's Cooper Basin exploration tenements – Petroleum Exploration Licences (PELs) 112, 444 and Petroleum Exploration Licences Application (PELA) 677, and 27 Petroleum Retention Licences (PRLs) in the South Australian Cooper-Eromanga Basins (Northern Fairway PRLs) - covering over 5,200 km^2. This makes the Company the operator and holder of the 3rd largest exploration acreage in the South Australian Cooper Basin after Santos Limited and Beach Energy Limited.
- As part of the annual impairment review, \$13.5 million was recognised as an impairment across oil and gas assets, exploration and evaluation assets and financial assets.

Strategy

To support Armour's growth strategy, it has been focussing on the below eight priorities for the 2021 calendar year:

Focus	Outcome
1	Unlocking value for shareholders through demerger and **IPO of Northern Basin Assets**
2	Materially **reduce debt** and renegotiate terms
3	Extract value **through commercialisation of under-utilised**, operationally ready assets
4	**Reduce the operating cost base** across the business and improve profitability
5	Generate **positive free cash flow** to cover all operating and corporate costs and capital for new investment
6	Build the **Surat and Cooper exploration pipeline** by the end of 2021
7	**High grading of portfolio** – Consolidate, unitise and rationalise across the portfolio
8	Demonstrate tangible improvement in **HSE performance and culture** across the business

Focussing on these priorities will enable Armour to unlock value for shareholders.

Operating Review

Surat Basin Assets

Kincora Gas Project Overview

The Company delivers gas to the Eastern Australian market from its Kincora Gas Project. Kincora achieved 95% operational time for the third full year of operation (FY2020: 91%) and an average production of approximately 6.2 TJ/day (FY2020: 7.9 TJ/day) of sales gas plus associated liquids.

Average Production per day*	FY2021	FY2020	Change
Gas (TJ)	6.2	7.9	(21.5%)
LPG (T)	10.2	13.9	(26.6%)
Oil/Condensate (BBL)	121.7	152.1	(20.0%)

Table 1 – Kincora average production

* Volumes normalised to exclude shutdowns in respective years that reduced production from the Kincora Gas Plant

Kincora also produced an average of approximately 122 barrels (FY2020: 152 barrels) of oil and condensate per day, and approximately 10 tonnes (FY2020: 13 tonnes) per day of Liquid Petroleum Gas (LPG). Oil and condensate are sold ex-Kincora and transported to local Queensland refineries. LPG is sold at the Kincora Gas Plant and on-sold mostly in Queensland, New South Wales, and South Australia, providing energy for transport, heating, and agricultural enterprises.

Armour, like many other companies, continues to be affected by COVID-19. The Company continues to manage its costs and seeks to maximise its revenue.

Kincora Gas Reserves Update

Armour performed a review of its oil and gas reserves position. The work was conducted by Armour Energy's qualified technical team of Geoscientists and Engineers and completed in accordance with the definition and guidelines of the 2018 Petroleum Resources Management System (PRMS, 2018) approved by the SPE/AAPG/WPC/SPEE. The workflow was independently reviewed and certified by Teof Rodrigues from Teof Rodrigues & Associates for financial year 2021 (30 June 2021). See Table 2.

The data from the 2020 Work Program and other technical workflows continues to support the reserves position. Armour remains encouraged by potential found in a significant new pay zone across existing well stock. Identifying these bypassed pay zones were only possible due to the advancements in logging technology allowing for the identification of mineralogically complex sandstones with hydrocarbon saturation suitable for hydraulic stimulation.

Highlights from the 30 June 2021 Certified Reserves Report:

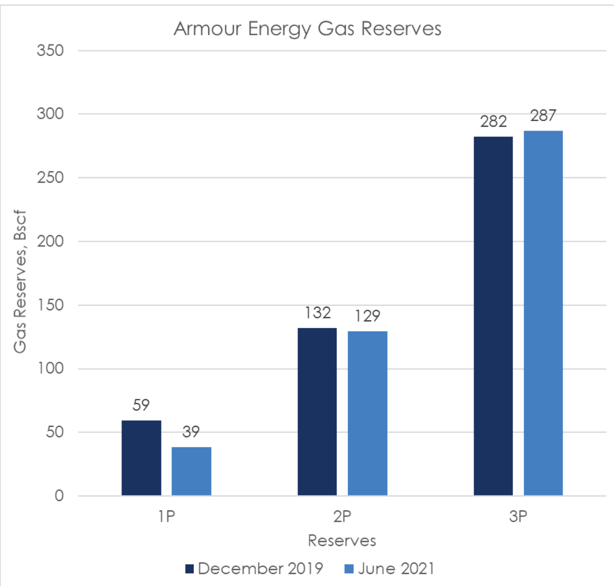
- 2P oil reserves numbers lowered primarily from produced FY2021 volumes
- 2P gas reserves numbers lowered only from produced FY 2021 volumes
- Material long term potential continues to be demonstrated across the wider Kincora Project
- Reserves independently verified

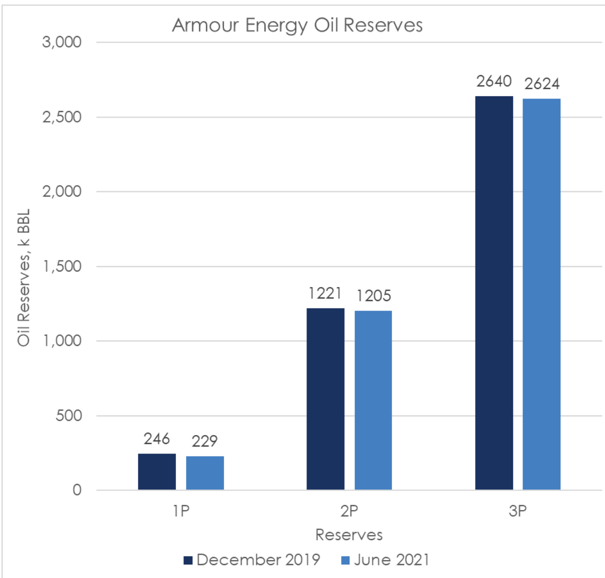
Kincora Gas Project	1P	2P	3P
Gas (Bscf)	38.6	129.4	287.1
Sales Gas (PJ)	43.9	147.1	326.5
LPG (k Tonnes)	91	304	674
Condensate (k Bbl)	436	1462	3245
Oil (k Bbl)	229	1205	2624

Table 2 – Combined Armour Energy Reserves

Notes to Table 2

- Petroleum reserves are classified according to SPE-PRMS.
- Petroleum reserves are stated on risked net basis with historical production removed
- Petroleum reserves have no deduction applied for gas used to run the process plant estimated at 5 to 10%
- Petroleum reserves can be sold on behalf of any minority interest holder
- 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 2,065 tonnes/petajoules, Condensate Yield 9,938 barrels/petajoules





Figures 2 and 3 – Gas and oil reserve comparison charts

The data from the 2020 Work Program has greatly contributed to the review of reserves. Armour remains encouraged by potential found in a significant new pay zone across existing well stock. Identifying these bypassed pay zones were only possible due to the advancements in logging technology allowing for the identification of mineralogically complex sandstones with hydrocarbon saturation suitable for hydraulic stimulation.

Figure 4 – Kincora Plant

Kincora Production Enhancement Activities

Armour's 2020 Work Program included executing a three well hydraulic stimulation campaign and a number of production enhancements projects. See figures 5, 6 and 7.

On 10 September 2020, Armour commenced the Surat 2020 Work Program on its 100% owned and operated Kincora Gas Project. A three well stimulation campaign was executed over a 3-month period (Horseshoe #4, Horseshoe #2 and Warroon #1), which built on the 2019 stimulation success of the Myall Creek #5A well. In addition, identification of bypassed pay zones was made possible due to advancements in logging technology allowing for the identification of mineralogically complex sandstones with hydrocarbon saturation suitable for hydraulic stimulation.

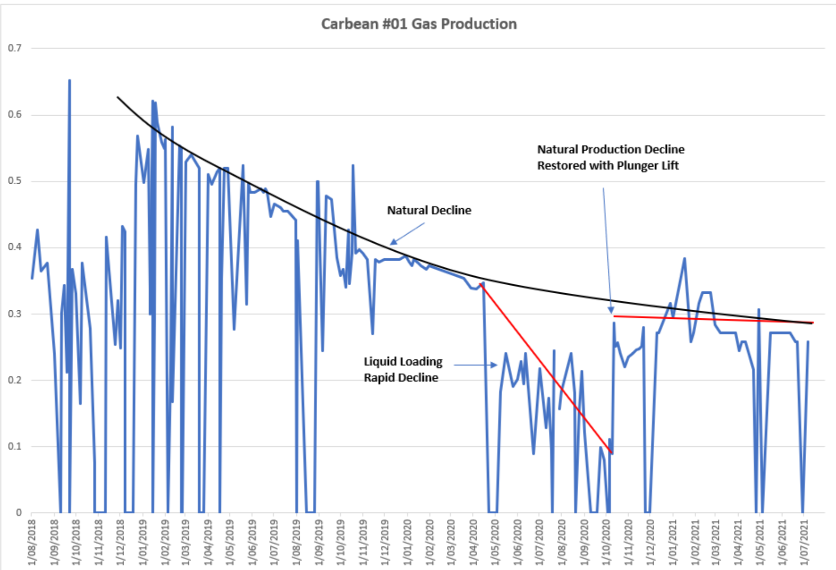


Figure 5 – Carbean #01 Logging

All wells in the 2020 Work Programme were expected to produce and flow gas into Armour's Surat Basin Gas Gathering System to the Kincora Gas Processing Plant and contribute an estimated uplift of 3 TJ/day plus associated liquids. The 2020 three well stimulation campaign (Horseshoe #2, Horseshoe #4 and Warroon #1) ultimately delivered low side production volumes. As announced on 18 March 2021, the gel in the fracs failed to breakdown following the proppant placement in respect of the three wells, impacting matrix flow and causing the low-side outcomes. The Company has issued a dispute notice to the contractor with regards to the services provided in respect of the wells.

Armour pursued the resolution from the frac service company contractor regarding execution of the recent 3-well frac programme and resulting production outcomes. Armour undertook a detailed independent technical evaluation of the causes for the fracture stimulation programme outcomes and to secure an agreement from the fracture stimulation contractor to undertake rectification works on all three wells to try to achieve the pre-stimulation projected production rates. The Company has not yet been able to secure a satisfactory resolution from the fracture stimulation contractor for rectification of the 3 wells involved in the 2020 fracture stimulation work programme. The Company will continue to pursue all necessary avenues to secure rectification for these 2020 fracture stimulation work programme results.

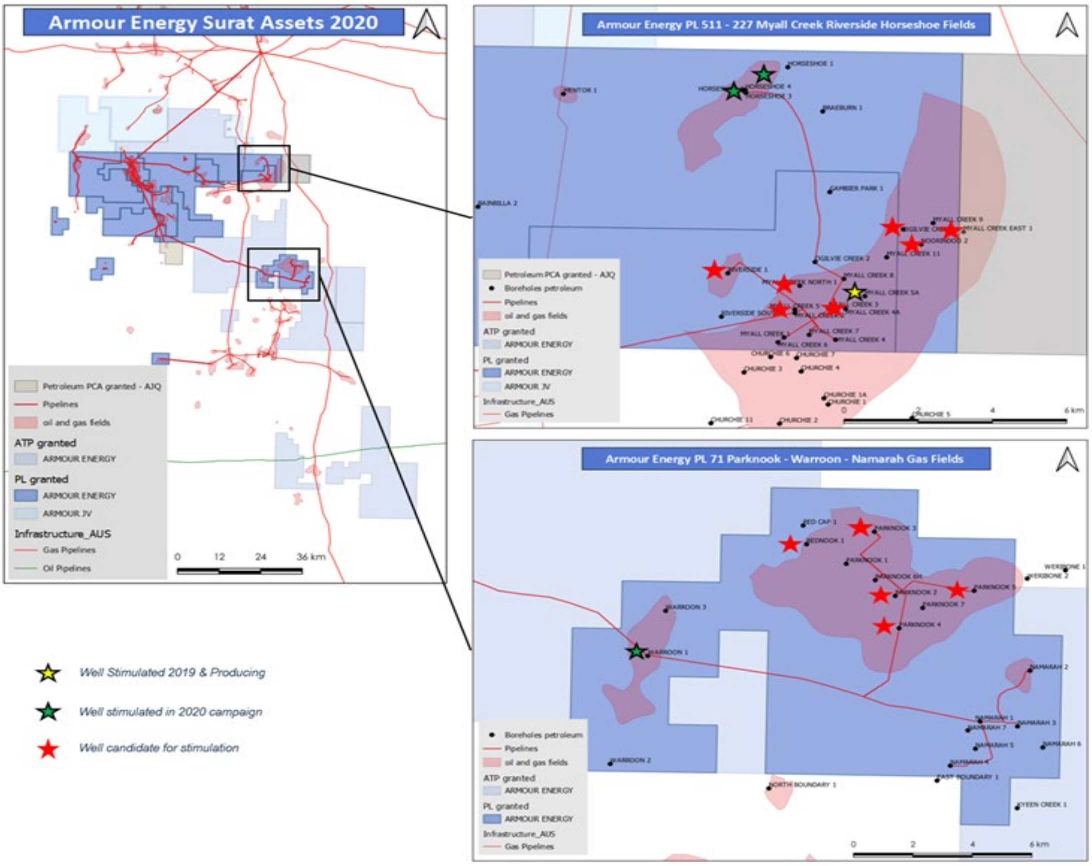


Figure 6 – Armour Surat Basin Assets

Further to the three well stimulation campaign, Armour has successfully installed artificial lifts on a number of existing wells to enhance production. The installation of a reciprocating sucker rod pump in the Myall Creek #3 well bore, as an example, has allowed the well to continue flowing to the gathering network below the critical rate required to lift liquids. This allows gas to flow to the surface uninhibited by liquids in the tubing and reliably pumps liquids for sale. See figure 7.

These low risk and low capital activities improve overall well and field performance. The artificial lifts and plunger lift systems, delivered as part of the 2020/2021 work program, responded in-line with expectations, providing production adds and assisting with reducing operational costs and allowing remote optimisation.

Figure 7 – Myall Creek #3 Linear Rod Pump

Surat Basin Exploration

During the year the Company put a significant amount of focus on developing a multi-year exploration programme portfolio based on building a deep portfolio of exploration leads and drill-ready prospects in both the Cooper and Surat Basins.

In mid-June, the Company provided an early view on the development of this emerging exploration leads and prospects portfolio at the Petroleum Exploration Society of Australia (PESA) Deal Day part of the Australian Petroleum Production & Exploration Association (APPEA) Conference held in Perth. Armour's presentation at the PESA Deal Day emphasised the Company's focus on delivering value for shareholders by demonstrating the value of its high-quality assets in its core areas of interest – the Surat and Cooper Basins.

Through advanced 3D seismic interpretation techniques, the Company has identified potential significant undrilled virgin gas bearing reservoir sand channels northeast of the main Myall Creek Field with 3D seismic attribute signatures analogous to the best producing wells in the Myall Creek Gas Field.

In addition, new technical workflows in the vicinity of the Myall Creek and Riverside gas fields, along with advanced wireline logging and petrophysical re-evaluation, indicates significant bypassed pay in the Permian and Triassic reservoirs within existing wellbores.

Further, evaluation of the existing sparse 2D seismic outside the existing Myall Creek 3D area, shows promising new drill exploration opportunities. To unlock new discovery potential, work has commenced on a feasibility study for acquiring new 3D seismic.

Northern Basin Business

McArthur Basin and South Nicholson Basin

At the start of the financial year, Armour held a commanding position in the McArthur Basin (100%) and the South Nicholson Basin, in joint venture with Santos QNT (30% Armour & operator, 70% Santos QNT).

Transactions with Santos QNT

In July 2020, Armour and Santos QNT (a 100% subsidiary of Santos Limited) amended the South Nicholson Basin Farmin Agreement, delivering work programme benefits and to accelerate and crystalize contingent permit transfer payments. Armour received an immediate cash payment of $6.0 million from Santos, replacing future contingent permit payments.

In December 2020, Armour reached a further agreement with Santos QNT, selling the remaining 30% interest in the South Nicholson Basin Exploration Project for $12.2 million. As part of this agreement, Armour retains a material exposure to the South Nicholson Basin play by securing operatorship and full control of ATP(A) 1107, covering 7,906 km2.

Over both transactions, Armour received a total of $33.2 million from Santos QNT and has retained 100% interest in ATP(A) 1107, which is contiguous with ATP 1087, the permit which Santos QNT will be focusing its exploration efforts.

Retention Licence Applications

In February 2021, the company submitted applications for Retention Licenses for Glyde, Cow Lagoon and Lamont Pass conventional gas discoveries. Armour is the first operator in the McArthur Basin to lodge applications for Retention Licences and only the second operator since 1990 to submit retention Licences in the Northern Territory.

These licenses will allow the discoveries within these areas to progress towards commercial development and the award of petroleum licences.

Once granted, the Retention Licences will put Armour (and now McArthur Oil and Gas, see below) in a good position to take advantage of the current gas shortage and the Northern Territory's and Federal Government's "Gas Led Recovery" objectives, by providing local gas to local businesses and communities.

Demerger and Listing of Northern Basin Business

As announced in March 2021, Armour proposes to demerge its Northern Basin Business, which comprises 13 permits and covers approximately 97,000 km^2, to McArthur Oil & Gas Limited (McArthur). Through an IPO, McArthur Oil & Gas will seek to raise circa $65 million to fund both the consideration for the Northern Basin Business from Armour together with McArthur's future work program.

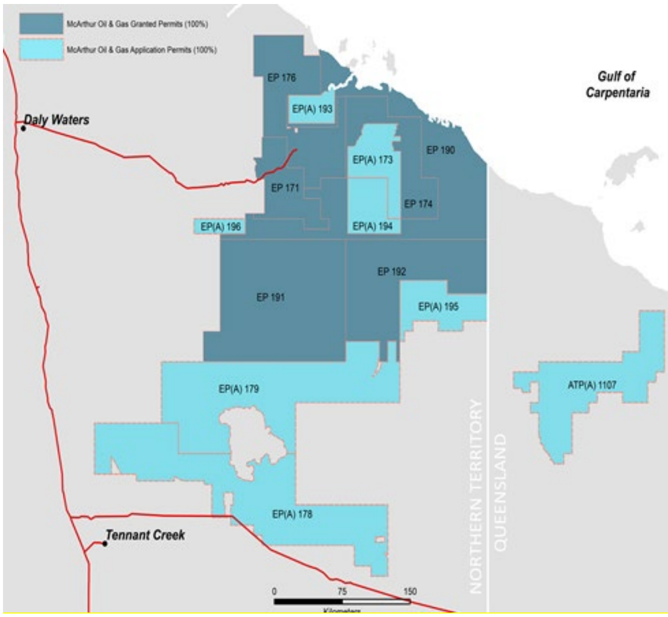


Figure 8 – Location Map of granted Permits and Application Blocks that form the Northern Basin Business

The Northern Basin Business consists of:

- Conventional targets – Significant Resources, Proven Plays, Existing Discoveries & Multi-Target Portfolio.

  Armour's interests in the McArthur Basin contains extensive acreage holdings covering multiple conventional gas and liquids rich prospects and plays.

  Armour has reported conventional gas discoveries in Cow Lagoon-1, Glyde-1, Glyde-ST1 and oil discoveries at Lamont Pass-3. The Glyde-1 discovery well flowed 3.3 MMscfd of sales-quality gas from the Coxco Hydrothermal Dolomite of the McArthur Formation in Armour's 100% owned and operated EP 171.

  Glyde-1 has been confirmed as a conventional gas discovery and Contingent Resources of up to 53 BCF 3C Contingent Resources have been booked (see tables below). Based on these initial exploration successes, the Company has filed applications for Retention Licenses covering the Greater Glyde Gas Discovery as the first step towards progressing the Glyde Gas Discovery to commercial development.

- Unconventional targets – Multi-TCF Resource & Multiple Shale Plays – Barney Creek, Wollogorang & McDermott.

  In addition to the proven conventional hydrocarbon systems established through the 5-well exploration drilling programme, the Company's position in the McArthur Basin also contains a potential World-class unconventional shale gas petroleum system with multiple target shales in the Barney Creek and Wollogorang and McDermott Shales of the Tawallah Group.

  The Barney Creek Formation is considered to be one of the most prospective unconventional Shale Gas plays in the southern McArthur Basin. The Barney Creek Formation is regionally extensive and thick (commonly over 150m) with significant TOC concentration and an oil-prone organic matter type. The Barney Creek Formation is oil mature at the surface and has been established to be wet-gas mature from 350m to 2400m and dry-gas mature where it is over 2400m deep. The Shale Gas play has a finely interbedded nature with high dolomitic and silt components providing favourable conditions for large volumes of gas to be held in pore spaces. It is expected that these rocks are likely to be well suited to large scale fracture stimulation.

  Armour's initial exploration success in the McArthur Basin has also established the Wollogorang and McDermott Shales of the Tawallah Formation as newly identified prospective shale source rock unconventional resource exploration targets. Through work commissioned by the Company, the CSIRO has confirmed the oil and gas generative potential in both the Wollogorang and McDermott Shales of the Tawallah Formation.

See Corporate Activities for further details of the proposed demerger.

Resource Update

During the 2021, Armour commissioned Netherland, Sewell & Associates, Inc. (NSAI) to update the independent resource estimate for Armour's McArthur Basin assets, which form a significant part of the Northern Basin Business.

The estimate was undertaken using the 2018 updated Petroleum Resources Management System and confirms a Prospective Resource Best Estimate of approximately 33 TCF from the Conventional and Unconventional structures in the McArthur Basin. The resource update has also confirmed 53 BCF (3C) Conventional Contingent Gas Resource associated with Glyde-ST1 and the retention licence application area.

	Unrisked Gross (100%) Contingent Sales Gas Resource (BCF)			Unrisked Gross (100%) Prospective Conventional Sales Gas Resource (BCF)			Unrisked Gross (100%) Prospective Unconventional Sales Gas Resource (BCF)		
	Estimate			Estimate			Estimate		
	Low (1C)	Best (2C)	High (3C)	Low (1C)	Best (2C)	High (3C)	Low (1C)	Best (2C)	High (3C)
Total	-	6	53	191	4,624	54,813	5,203	28,126	126,303

	Unrisked Gross (100%) Contingent Gas Resource (BCF)			
	Low estimate (1C)	Best estimate (2C)	High estimate (3C)	Mean
Total (EP 171)	-	6	53	7

Tables 3 and 4 – Updated resource estimate from Netherland, Sewell & Associates, Inc.

Northern Territory Exploration

In June 2021, Armour commenced a 20,000 km^2 airborne geophysical survey, which is the largest airborne survey of its type to be undertaken in the Northern Territory. The purpose of the survey is to provide clear areas of exploration interest and to de-risk, rank and high-grade existing and new identified leads and prospects.

The survey will cover all or substantial portions of five (5) exploration permits (EPs 171, 174, 176, 190 and 191) and one (1) exploration application area (EP(A) 193) which cover the Batten Trough and Fault Zone and a conventional oil and gas fairway encompassing the Coxco Dolomite and McArthur and Tawallah Group prospects and structural closures. See Figure 9 for the map of the survey area.

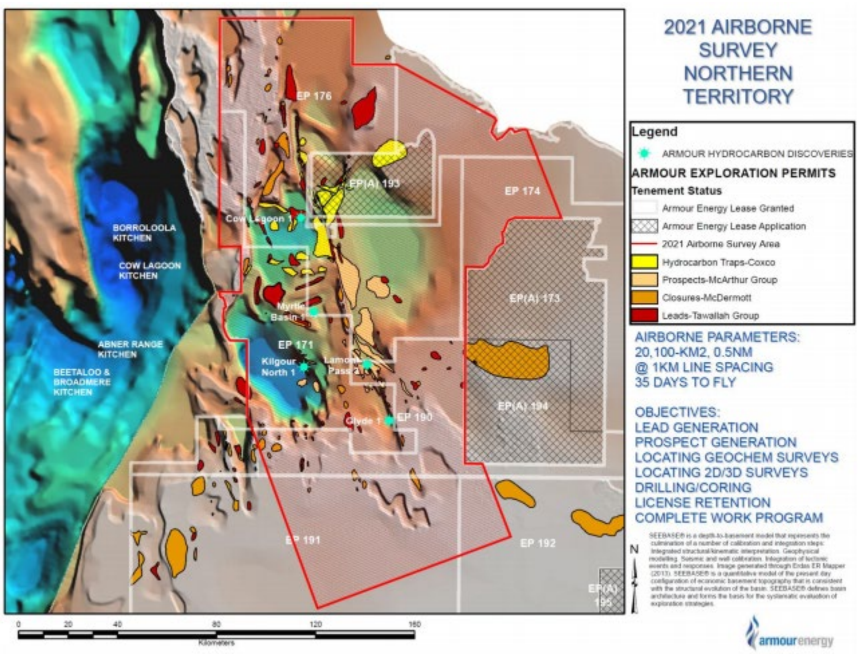


Figure 9 – Map of the area covered by the Airborne Geophysical Survey

Armour engaged geophysical technology company, Pinemont Technologies Australia Pty Ltd (Pinemont) to undertake the airborne geophysical survey using their patented passive airborne survey technology (AEM-PTP). The technology underpinning the AEM-PTP system measures a geophysical response associated with variability in elements of the earth's electromagnetic field interacting with REDOX cells. REDOX cells can form in association with the upward fluid flow of migrating hydrocarbons and/or micro-seepage from hydrocarbon accumulations.

The application of airborne technology has significant advantages as a data acquisition method including its non-invasive nature and the ability to collect data over large areas in both a timely and cost-effective manner. Once processed and interpreted, the data collected will help to mitigate risk associated with potential hydrocarbon migration pathways and hydrocarbon reservoir charge.

Figure 10 – aircraft that performed the survey

Cooper Basin Assets

Cooper Basin Overview

Armour completed the purchase of South Australian Cooper Basin Assets from Oilex in October 2020. This Cooper Basin acreage makes Armour the holder of the 3rd largest net acreage position in the South Australian portion of the Basin with existing 3D seismic coverage.

The acquisition of Oilex's assets comprised a consideration of $0.9 million in Armour shares. The assets include a 100% interest in Petroleum Exploration Licence ("PEL") 112 and PEL 144 (covering 1,086 km^2 and 1,166 km^2 respectively). In addition, Armour has also acquired a 100% interest in 27 Petroleum Retention Licences ("PRL's") covering a total 2,445km^2 (including 792km^2 of 3D Seismic) by assuming the obligations of Oilex under existing arrangements between Oilex and Senex Energy Ltd. These 27 PRL's were acquired for $27 together with the assumption of existing abandonment liabilities and the replacement of a security deposit for $0.4 million with the South Australian Government. Under the transaction, Senex retained a 20% back in right at cost, subject to certain conditions, following the drilling of a well.

Cooper Basin Exploration

During the year the Company put a significant amount of focus on developing a multi-year exploration programme portfolio based on building a deep portfolio of exploration leads and drill-ready prospects in both the Cooper and Surat Basins.

In mid-June, the Company provided an early view on the development of this emerging exploration leads and prospects portfolio at the Petroleum Exploration Society of Australia (PESA) Deal Day part of the Australian Petroleum Production & Exploration Association (APPEA) Conference held in Perth. Armour's presentation at the PESA Deal Day emphasised the Company's focus on delivering value for shareholders by demonstrating the value of its high-quality assets in its core areas of interest – the Surat and Cooper Basins.

The focal points of these exploration efforts have been on areas with existing 3D seismic coverage and are focussed on extending the Western Flank Oil Fairway in South Australia in the Company's 100% owned and operated exploration permits PEL 444 and PEL 112.

Along the Western Flank extension, both the southern and northern extents were modelled with positive correlation and prediction. Workflows will continue with the extensive seismic database, but limited 3D coverage, to identify structural and stratigraphic potential. In the Company's PESA Deal Day presentation, a number of significant 3D-seismic controlled exploration leads and prospects were presented.

Armour will perform its own data and analysis, as well as re-evaluating the existing technical data with the aim to identify stratigraphic trends and development opportunities in this historically successful oil rich Western and Northern Flanks of the Cooper Basin.

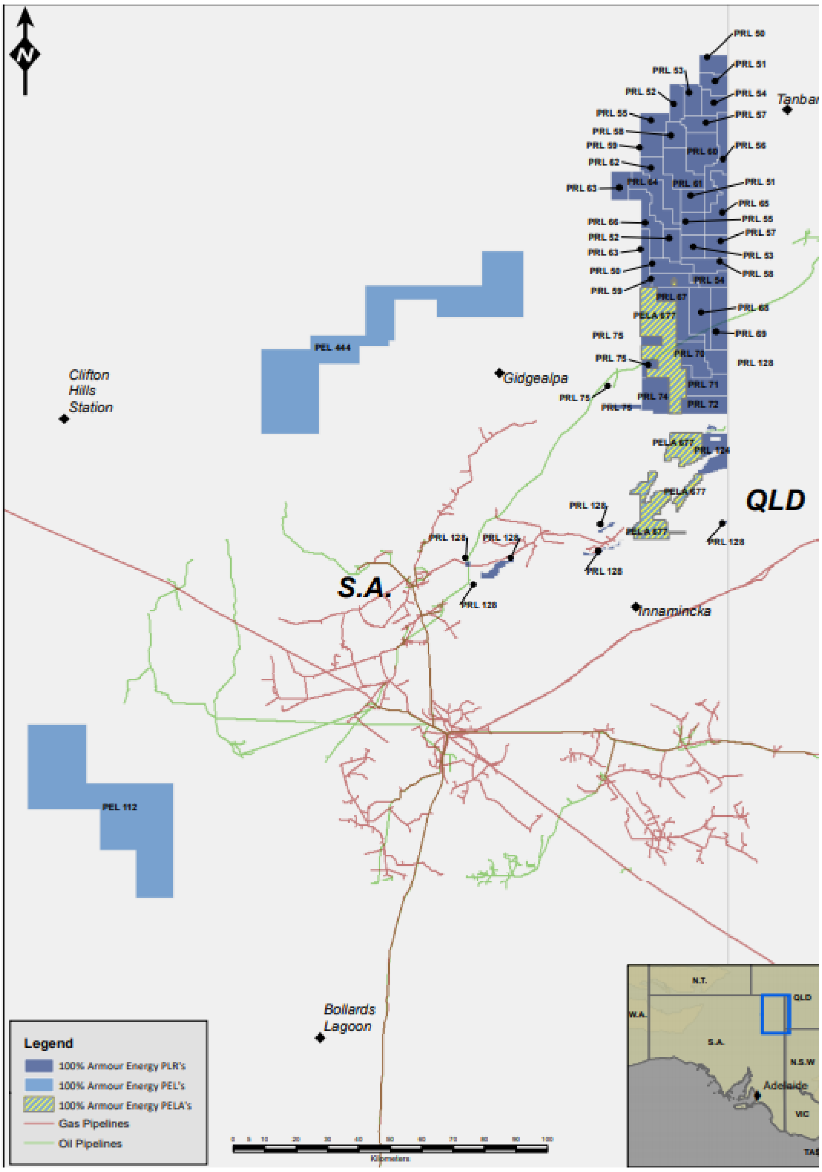


Figure 11 – Location map of the Cooper Eromanga assets

Uganda Assets

Uganda Oil Project Overview

The Ugandan Oil Project is located at the southern end of Lake Albert within the Albertine Graben which has recorded discoveries of 6.5 billion barrels of oil. The Company was awarded the Kanywataba exploration licence in September 2017 with DGR Global, a major shareholder in Armour, holding a beneficial interest of 83.18% and the Company 16.82%. In 2019, the exploration licence was renewed for a further two-year term and further renewed as a condition of the force majeure until 28 May 2023.

Uganda Exploration

The Company has identified multiple developed (untested) on-trend structural traps (3-way and 4-way dip closures) and multiple untested stratigraphic traps. The Company's internal assessment of the Kanywataba block is a Resource Best Estimate Risked 57-193 mmbls recoverable which compares to the Unrisked Prospective Oil Resource Estimate (mmbls) of 145-217mmbls.

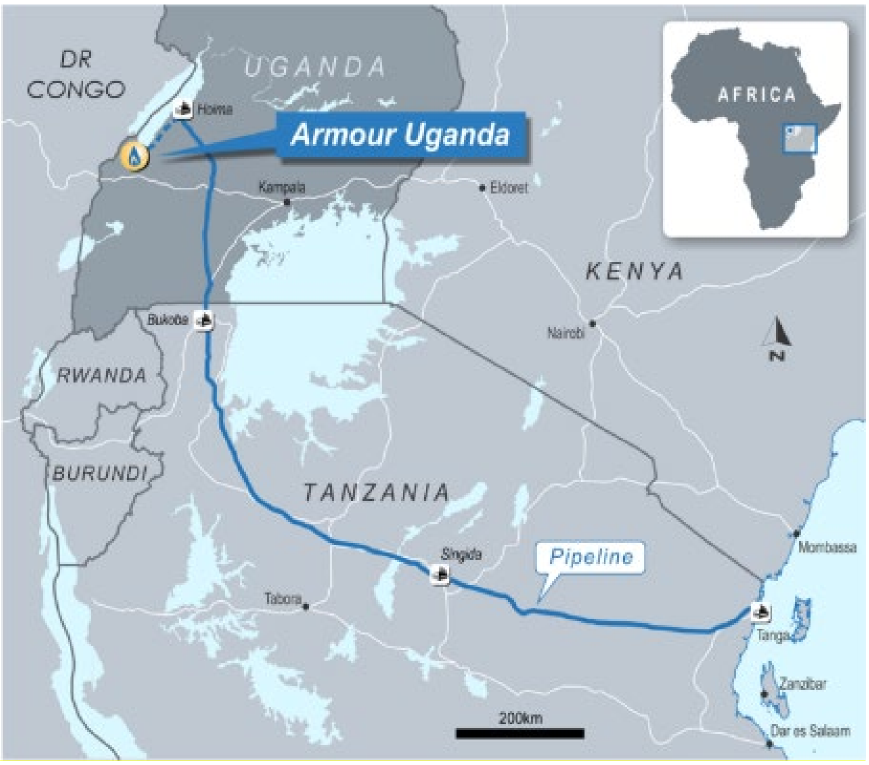


Figure 12 – Location map of the Uganda assets

Corporate Activities

Capital Raising

Over the financial year, Armour completed two capital raises. In September 2020 Armour advised the previously announced capital raise had closed and due to significant demand from third-party investors in relation to the Company's fund raising, the Board was able to upsize the conditional placement component to a total of approximately $7 million, resulting in a combined total of approximately $15 million capital raise. For every two new shares issued under the program, the holder received one attaching option exercisable at $0.05 and expiring on 29 February 2024. These options are listed on the ASX with the ticker code AJQOA.

In March 2021, Armour announcement the successful completion of an $11.5 million equity raise. For every four new shares issued under the Placement, the holder received one attaching option exercisable at $0.05 and expiring 29 February 2024. These options are listed on the ASX with the ticker code AJQOA.

Secured Amortising Notes Facility

In 2019 Armour raised $55 million of funds through the issues of secured and amortising notes (Notes). The Notes have a repayment schedule through until 29 March 2024. Through finalising transactions with Santos QNT Pty Ltd on the South Nicholson Basin and with Australia Pacific LNG on the Murrungama block, Armour accelerated $11.4 million in principal amortisation payments on the Securing Amortising Notes during the 2021 financial year.

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

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

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

Building the Executive Leadership Team

Following the appointment of Brad Lingo as CEO in June 2020, Armour has continued to build the strength of the Executive Leadership Team.

In July 2020, Michael Laurent was promoted to the role of Chief Operating Officer. Toni Hawkins joined Armour as the Chief Financial Officer in December 2020 and Mark Greenwood as Chief Commercial Officer in June 2021. The new Executive Leadership Team is focused on strengthening and growing the Armour business.

Financial Review

Results for the financial year		2021	2020	Change	Change %
Sales Revenue	$'000	17,502	21,104	(3,602)	(17%)
Average Realised Sales Price	$AUD	5.90	5.20	0.70	13%
EBITDA (Non-IFRS measure)	$'000	(3,621)	1,671	(5,292)	(317%)
Exploration Expenditure	$'000	(5,217)	(2,270)	(2,947)	(130%)
Non-Cash Impairment	$'000	(12,353)	(720)	(11,633)	(1616%)
Statutory NPAT	$'000	(11,594)	(9,571)	(2,023)	(21%)
Operating Cashflow	$'000	(7,062)	(2,856)	(4,206)	(147%)
Development Spend	$'000	(11,123)	(21,322)	10,199	48%
Cash Balance	$'000	2,358	3,246	(888)	(27%)
Debt (excl. transaction costs)	$'000	(39,110)	(57,909)	18,799	32%
Earnings Per Share - Basic	c.p.s	(1.0)	(1.7)	0.7	43%
Earnings Per Share - Diluted	c.p.s	(0.7)	(1.7)	1.0	61%

Table 5 – Summary of financial results

Sales Revenue

Year-on-year sales were 17% lower due to low-side production outcomes. This was slightly offset with recovering realised prices.

Development Expenditure

Armour's Development Expenditure of $11.1 million primarily represents the 2020 Work Program in the Surat Basin.

Non-cash impairment

As part of Armour's annual impairment review, there was a total of $12.4 million identified to be written-off. The impairment related to Surat Basin's ATP 2028 and various historic oil & gas assets.

Debt

In 2021, Armour significantly reduced its total debt by 32%. The Secured Amortised Notes reduced by $17.4 million, to $33.7 million, including $11.4 million of accelerated payments as a result of asset transactions. With an original face value of $55 million, Armour has now reduced the Notes by nearly 40%.

The Tribeca Facility held by the Company also contributed to the reduction of total debt by $1.3 million. A reassessment of the financial assurances held by the Queensland Government for the Surat Basin reduced it by $1.1 million. There was a further $0.2 million returned due to the sale of ATP 1087.

Financial performance and cash flows

	Consolidated	
	30-Jun-21	30-Jun-20
	$'000	$'000
Revenue from contracts with customers	17,502	21,104
Cost of goods sold	(22,151)	(19,484)
Gross profit	**(4,649)**	**1,620**
Net gain on sale of assets	15,857	-
Other income and expenses	(4,201)	(2,930)
Finance income	70	128
Finance expenses	(6,316)	(7,193)
Impairments	(12,353)	(720)
Income tax expense	-	(476)
Loss after income tax expense	**(11,592)**	**(9,571)**

Table 6 – Financial Performance

The reduction in revenue from contracts with customers is largely due to low-side outcomes from the 2020 work program in the Surat Basin. This was slightly offset by recovering commodity prices (Oil and Gas).

Earnings before interest, tax, depreciation and amortisation (EBITDA) – Non-IFRS measure

	Consolidated	
	30-Jun-21	30-Jun-20
	$'000	$'000
Loss before income tax and net finance expenses	**(5,278)**	**(1,902)**
Add/(Less):		
Interest Received	(70)	(127)
Depreciation and Amortisation	5,232	3,008
Non-cash impairment	12,353	720
Gain on Disposal of PPE	(15,857)	(28)
EBITDA (non- IFRS measure)	**(3,620)**	**1,671**

Table 7 – EBITDA

The upside in EBITDA reflects Armour's commitment to unlocking value for shareholders by selling its non-core assets and focussing on its primary operations.

Cash flow

	Consolidated	
	30-Jun-21	30-Jun-20
	$'000	$'000
Net cash at the beginning of the year	**3,245**	**9,225**
Net cash from operating activities	(7,062)	(3,048)
Net cash from investing activities	4,773	(6,825)
Net cash from financing activities	1,401	3,893
Net cash at the end of the year	**2,358**	**3,245**

Table 8 – Summary of cashflows

In the year ended 30 June 2021, total net cash outflow was $0.9 million. The net cash outflow from operating activities was $7.1 million with $18.9 million of revenue positively contributing from operations.

The net cash inflow from investing activities were $4.8 million mainly attributable to the funds received from:

- The sale of Armour's 10% interest in the Murrungama block to APLNG
- The proceeds from the farm-in agreement and subsequent sale of Armour's interests in a number of South Nicholson Basin oil and gas exploration permits to Santos
- Offset by $16.9 million in capital spend on oil and gas assets, additional financial assurances and exploration and evaluation assets

These funds were used to support Armour's operations and costs relating to the development and exploration activities in the Kincora project and Northern Territory Assets.

Over the financial year, Armour completed two capital raises. The first raise closed in September 2020 and due to significant demand from third-party investors resulted in a combined total of approximately $15 million capital raise. In March 2021, Armour announced the successful completion of a second capital raise for $11.5 million.

Sustainability Report

Acknowledgement

Armour acknowledges the Traditional Owners of the land in which we operate. The **Turrbal** and **Jagera** people in Brisbane, the **Mandandanji** people where our Surat operations are, the **Yandruwandha/Yawarrawarrka** and **Dieri** people in the Cooper Basin and the **Wannyi** people and **Gangalidda & Garawa** people in Northern Queensland as well as a number of Traditional Owners Groups under the Northern Land Council in the Northern Territory.

Performance in 2021

358	**11**	**0**	**0**
Days Since Last Safety Incident	**TFIFR**	**Recordable Environmental Incidents**	**Covid-19 Cases**

Like all industries & companies in Australia, Armour has endured a challenging and constantly evolving business environment in 2021 as a result of Covid-19. Armour successfully implemented changes that were measured and consistent with government guidelines to ensure that the business continued to operate safely and responsibly whilst protecting and respecting the communities where we operate. Reduced staff working hours and working from home arrangements provided the business with the required flexibility to continue operations which ensured continued investment into the regional areas.

Health and Safety

The safety of our employees, contractors, and the communities where we operate drives Armour's focus to continually improve our Safety Management System based on review of our safety performance and the effectiveness of controls that we implement.

For the 2021 financial year, regrettably the Kincora Gas Project recorded 1 recordable incident, which when converted to a base of one-million man hours, resulted in a TRIFR (Total Reportable Incident Frequency Rate) of 11. As at 30 June 2021, Armour had achieved 358 days without recordable incidents and in early July 2021, Armour achieved a TRIFR of 0 with a focus for FY22 on the "Beyond 0" program. Inspections of our operating sites by Resource Safety & Health Queensland (RSHQ) has not identified any regulatory noncompliance and Armour continues to work with the regulators to meet obligations with no formal notices or penalties being received.

Armour continues to operate responsibly and in compliance with government guidance in relation to Covid-19. Armour is committed to ensuring that our operations do not put our employees, our contractors, and the communities where we operate at risk. Simple measures such as working from home, restricting site travel to essential users whilst implementing social distancing and good hygiene practice within our offices has resulted in minimal impact to daily operations and no reported covid cases for employees. Armour is proud to report that the majority (>80%) of our Surat Operations team has been vaccinated with employees 'rolling up their sleeves' to do their part in the Surat Community.

Driving in remote areas presents a significant risk to Armour employees and in November 2020 Armour opened the Surat office as the new base of our Surat operations. This has reduced the need to travel to the Kincora terminal with field based operations managed from Surat and has resulted in a 50% decrease in the total Kms travelled each month by Armour staff. Successful recruitment from the regional areas has also reduced travel time for employees.

The 2020 work program that comprised the hydraulic stimulation of the 3 wells was delivered with 0 recordable injuries and 0 reportable environmental incidents. Armour is proud of our contractors and their delivered safety performance and will continue to engage contractors that have a demonstrated good safety track record.

The Armour Safety Culture Survey was an opportunity for Armour to engage with our workforce and determine areas for continuous safety improvement. The results identified that safety leadership, safety consistency and relationships as being the biggest influencers on safety performance with work continuing to improve in this area.

Industry Collaboration

Armour as a member of the Safer Together industry working group committed to creating the leadership and collaboration needed to build a strong and consistent safety culture. As part of the community we share industry lessons learnt and improve quickly by implementing learnings.

Environment

Armours operations are subject to environmental regulation under federal and state legislation. For the year ended 30 June 2021, Armour Energy reported outstanding environmental performance with zero recordable environmental incidents reported.

The Group has focused on the continued development and improvement of the Armour Environmental Management System to ensure that Armour continues to meet all environmental obligations. Armour has been successful in securing a reduction of $1.2 million in its Financial Assurance through the new Estimated Rehabilitation Cost (ERC) framework.

The Kincora Gas Project is an established oil and gas field that is spread across numerous PLs in the Surat region of Queensland. Armour took over the project in 2016 and is committed to the practical decommissioning and remediation of nonoperational assets. The Riverslea Pond Soil & Water Assessment was completed and represents part of the first phase of the Kincora decommissioning and rehabilitation plan. The study has identified practical options for the remediation of the site with Armour now focusing on further studies in 2022.

Waste recycling is not currently available at Roma or throughout the Surat area, however, Armour has been able to recycle 4 tonnes of steel and 9,500 litres of waste oil. Future recycling of carboard and 'containers for cash' should reduce the volume of waste to landfill with Armour preparing to set waste reduction targets for the future.

As a responsible Operator, Armour continues to deliver work programs with minimum impact to the environment. Minimum disturbance controls such as use of existing access tracks, use of existing leases and rapid reinstatement ensures that disturbance is avoided or temporary and reduces future rehabilitation.

Armour is aware of the risk that poor weed hygiene practices pose to farmers in our operating areas. Armour ensures the highest level of weed hygiene control and adopts suitable practices in consultation with landholders. All contractors that visit any Armour site are required to adopt the same practices. Armour has trained all staff that conduct work on landholders properties in vehicle weed hygiene.

Climate Change Disclosure

Climate change is one of the most significant challenges facing the world today and as a member of the energy industry, Armour recognises the important role it has to play. The world is transitioning to a low-carbon future, and climate change is an important political, social, environmental, and commercial issue. 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 its Annual Report.

Armour is well positioned to contribute to a lower-carbon future through the production and supply of natural gas. Natural gas is widely recognised for its part in reducing global emissions. 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 40% 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 <0.01% of the natural gas produced and sold in, and exported from, Queensland. However, the Company is committed to contributing 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.

Armour can confirm that for the period 2020- 2021, it met the corporate group thresholds prescribed by the National Greenhouse Gas Reporting (NGER) Act with reporting to be completed in October 2021.

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 staff movements and logistics to reduce road traffic and distance travelled in our operations and projects has led to a 50% reduction in the total kms travelled each month.
- Execution 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.
- 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.
- New well site facility installations will include electrically driven instrumentation powered by local solar panel arrays.

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, including hydraulic stimulation, activities.
- Ongoing baseline monitoring of groundwater quality to detect any changes during and after the cessation of exploration and development lifecycles.
- Assessment and survey of local ecological communities within and around our development, exploration and production tenements, and the implementation of innovative approaches to negate and reduce footprint and minimise vegetation clearing.
- 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.

During the year, Armour commenced studies on the potential use of depleted gas fields for carbon capture and storage (CCS). CCS is a process which aims to safely capture carbon dioxide (CO2) and permanently store deep underground in geological formations. CCS is seen as playing an important role in reducing carbon emissions and transition to cleaner energy.

Armour funded a pre-feasibility study with consulting company, RISC Advisory, to evaluate the technical feasibility of using the Newstead field for carbon capture and storage. The study determined that Newstead and other depleted fields within Armour's acreage are good candidates for carbon capture and storage and are at a scale which could underpin a Blue Hydrogen project. In parallel, Armour has made an Expression of Interest to the Queensland government to release certain acreage for licensing under the Queensland Geosequestration Act.

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 Financial Stability Board created the Task Force on Climate-related Financial Disclosures (TCFD) to improve and increase reporting of climate-related financial information. The TCFD has developed a set of voluntary recommendations for companies to disclose information about how they oversee and manage climate related risks and opportunities. Armour recognises the importance of transparency to our stakeholders and the Board is considering the adoption of the TCFD Recommendations as a framework for guiding our climate-related risk management and disclosures in future reporting periods.

Armour's strategic approach is to minimise our emissions and to participate in the energy transition whilst building a resilient business. The Company's Executive Team and Audit and Risk Management Committee will continue to review the potential impacts of climate change on the organisation and will be responsible for delivering Armour's climate change priorities.

In the 2022 financial year our climate change priorities are:
Undertake a gap analysis against the TCFD recommendations and identify an implementation action plan.
Review the Company's governance policies and processes to ensure climate change is appropriately addressed.
Review management responsibilities and accountabilities for climate change.
Undertake a detailed review of the Company's risk assessment in relation to 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 historic 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.

The Board does not current consider the Company to be subject to a material financial impact as a consequence of the various categories of climate change risk and as a result, no adjustments are included in the financial statements. Future commodity prices are based on the Group's estimate of future market price with reference to various external forecasts. These price forecasts consider the potential impact of climate change as one of the many factors that can affect long term price estimates.

Armour recognises the key physical and transitional risks from climate change that may impact the Company into the future.

1. Physical risks include one off significant disruptions such as extreme weather events as well as more graduate changes in the environment in which we operate. Armour's operational activities are at risk of severe interruption by extreme weather events such as bushfires or floods.

2. Transitional risks are risks associated with the global move towards a low carbon economy. The Company could be at risk through reduced demand for oil and gas products, increased regulation or higher stakeholder expectations impacting the Company's reputation.

The impacts to the Company of the above risks could include reduced revenue, increased costs, higher cost of capital or inability to access capital or insurance. The risks are covered in more detail in the Managing Risk section of this report.

People

46

Direct employees

20%

Female workforce

50%

Site based employees from the Region

As a small operation, people are at the core of our business. Armour directly employs 46 people with 20% female. We have a diverse workforce with our team coming from a breath of backgrounds, from as close as New Zealand and PNG to as far as the UK. Over a quarter of our workforce were originally from outside of Australia.

Of our site based team, approximately 50% are employed from within the Darling Downs and Western Queensland region and 26% from the local area.

During 2021, with contribution and engagement from across the business, Armour has established new corporate values. Our values set out the **way** in which Armour will operate, guide how we make decisions and are important to setting the culture in our organisation.

Armour has introduced a new online learning system. Initially this system is focused on our core induction, safety and compliance training. It will allow us to better deliver, track and reporting on the learning and development of our employees.

Community

Armour operates in the Surat region of Queensland and strives to be an active and supportive member of the community. A strong presence in the Surat community is a key focus and the opening of the Armour Surat office in November 2020 demonstrates a commitment to the town of Surat. Having a local office sees more local engagement and investment by the Armour team. Wherever possible, Armour buys goods and services from businesses in local communities. We continue to foster positive relationships with other key stakeholders such as landowners, governments and community groups.

Supporting Local Businesses

Armour aims to engage with local businesses and contractors that can support our operations. Strong partnerships with local contractors are crucial to Armour's operations in the Surat.

For our project activities, wherever possible we source local materials such as gravel and construction water from our local landholders and local businesses. Flowers Earthmoving has been an ongoing supporter and contractor to Armour. This family business provides earthmoving for both our well and pipeline project activities.

Roma-based Ricketts Mechanical Services and Gavco Instrumentation Services and Repairs provide contractor services to Armour. These contractors provide specialist skills and work closely with the Armour operational team. They use local people for their team.

Materials and parts supplies are also sourced from vendors based in the Surat and Roma area, supporting local employment. Businesses such as Taylors Parts, Banks Bolts and Fasteners are key suppliers to Armour. Additionally, Surat Tyre Service is our primary tyre supplier, Bayly Motors provides vehicle servicing, the Wagon Wheel General Store provides our supplies and Surat Ag provides our chemicals for land management. All these businesses are family owned and employ local people.

Construction and operations employees of Armour enjoy meals and accommodation at the family-run New Royal Hotel Motel and Balonne's Royal Bistro. Proprietors Don and Karen Thom extend a warm welcome to the Armour team with hearty meals, daily lunch packs and friendly service. Don is also one of our Senior Plant Operators at the Kincora Plant.

Armour appreciates the support it has received from local businesses to work through the challenging impacts of Covid-19 to the business.

Community

Armour are proud to support the local community of Surat where our people live and work. Thriving community organisations are the life blood in rural and regional areas, fostering a strong community spirit.

In 2021, Armour sponsored the Surat Ladies Bowling Club Annual Pink and Blue Bowls Day. This community event was enjoyed by a wide cross section of the local community and raised funds for a cancer charity. A number of the Armour team took part in the bowls day and surprised us with some hidden talents.

The Queensland Police Legacy Scheme shares the Queensland Government and Queensland Police Service priorities of giving all our children a great start and keeping our communities and children safe. In producing the *Child Safety Handbook*, Queensland Police Legacy demonstrate their commitment to these priorities and make us mindful that all children are vulnerable, and we all share in the responsibility of keeping them safe. Armour continues to provide sponsorship to ensure that children in the Surat & St. George area receive the handbook and continue to have access to a resource to turn to in times of need, and support so that they can cope with the challenges they may face.

Armour was the sponsor of the 'Monochrome" category for the In Focus Annual Photography competition at the Surat on Balonne Gallery. The Surat on Balonne Gallery is housed in the Cobb & Co Changing Station complex and focuses on the development and promotion of local and regional artists. This annual event provides budding photographers the opportunity to showcase their talents.

Landholders and Traditional Owners

Armour maintains its operational acreage across a large number of private landholders in the Surat area. Seamlessly interfacing with cattle and cropping routines is the result of open communication and relationships built on mutual trust and respect. Development and exploration schedules are developed in consultation with landholders to minimise local impacts to their business.

In the Northern Territory, Armour undertook multiple engagements with all 38 Pastoral Leaseholders over our acreage in preparation for the largest private airborne survey in the Northern Territory which commenced in late June 2021.

Armour respects the Traditional Owners in the areas in which we operate. Armour has continued positive ongoing engagement with the Northern Land Council in the Northern Territory with plans for future stakeholder engagement with the Traditional Owners.

In June 2021, Armour representatives attended a Gangalidda and Garawa Native Title Aboriginal Corporation (GGNTAC) community meeting in Burketown. Following the positive engagement at this meeting, Armour was advised that the GGNTAC has agreed to proceeding with the granting of the ATP(A) 1107 permit.

Industry Engagement

Armour engages and collaborates extensively across the Oil & Gas industry. This includes through the Queensland Resources Council, Safer Together and the Northern Territory Energy Club.

Jobs, Royalties and Taxes

Armour directly employed 46 people at 30 June 2021 as well as a number of contractors.

Armour contributed $1.2 million in royalties and $0.6 million in payroll tax to the Queensland Government.

Managing Risk

Armour is an explorer, developer and producer of gas and associated liquids. The Group operates 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 Armour. These events may be beyond the control of the Board or management of Armour Energy.

The material risks for Armour are outlined below. This summary is not an exhaustive list of all risks that may affect Armour, nor have they been listed in any particular order of materiality.

Operational Risks

Production Risks

Armour has a single production operation and is therefore reliant on continued performance of operations at the Kincora Gas project. Any issues that curtail operations at the Kincora facility could materially impact revenue flows. There are numerous operating risks which may result in a reduction in performance that decreases Armour's ability to produce gas to meet customer contracts. The risks include, but are not limited to, factors such as weather conditions, machinery failure, critical infrastructure failure or natural disasters. To prevent or minimize production losses from such things as, machinery or infrastructure failures, Armour has in place maintenance programs and operational procedures. These mitigants are implemented by competent on-site operators and engineering support.

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 risk that the interpretation of data may not align with the future experienced conditions in the field. Due care is taken with each estimation.

Armour prepares its reserves and resources estimates in accordance with the 2018 update to the Petroleum Resources Management System sponsored by the Society of Petroleum Engineers, World Petroleum Council, American Association of Petroleum Geologists and Society of Petroleum Evaluation Engineers (SPE-PRMS). To support and validate the Company's gas and oil reserves position, an external qualified auditor is engaged annually to provide an independent expert review.

Exploration and Development Risk

Armour's production growth is dependent on its ability to explore, develop and deliver new resources and reserves. Oil and gas exploration is a speculative endeavour and carries a degree of risk associated with failure to find commercially viable hydrocarbons. Armour utilises prospect evaluation and ranking to analyse existing acreage for exploration and development opportunities. Each project is assessed on its merits before investment decisions are taken. Armour also seeks partnering and farm-in opportunities to manage the risk.

Safety, Environmental and Sustainability Risks

Safety Risk

Safety remains of critical importance in the planning, organisation and execution of Armour's exploration and operational activities. Oil and gas operations pose a risk of harm to employees, contractors or the community in which Armour operates. Armour is committed to providing and maintaining a working environment in which its employees and contractors 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. Armour has in place detailed and proactive safety and health management plans which are reviewed regularly. Armour also participates in the Safer Together industry working group committed to creating the leadership and collaboration needed to build a strong and consistent safety culture.

Climate Change
Climate change risk, in the form of either physical or transitional risk, is a global issue impacting all businesses.

Physical risks through extreme weather events such as bushfires or floods may cause significant disruption to Armour's operations. The potential impact of this type of event includes damage to infrastructure, loss of production and delay or cost increases to project delivery. Armour has in place response plans to minimise any impact from such events as well as a comprehensive insurance program.

Climate change and the transition to a lower carbon emissions economy may lead to an increase in regulation and expectations. An increased focus by governments, regulators and broader stakeholders in relation to climate change and expectations of companies may impact Armour's longer-term growth through increased regulation and cost. The International Energy Agency (IEA) has noted that banks, insurance companies and other operators are exiting coal. Gas plays an important role in coal-to-gas switching and as a firming energy for renewables in reducing overall carbon emissions, however, in the longer-term sentiment towards gas may change which may impact access to and cost of capital and insurance.

Environmental Risk
Armour's operational activities pose a risk of harm to the environment and community through an environmental incident or non-compliance.

Armour'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, Armour 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.

Armour 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, Armour engages experienced consultants and other technical advisors to provide expert advice where necessary.

Pandemic Risk
A pandemic outbreak of a communicable disease such as COVID-19 has the potential to affect personnel, production and delivery of projects. The Company responded to Covid-19 through its health and safety management plans to manage this risk including ongoing monitoring and response to government directions and advice. This enables Armour to take active steps to manage risks to the Company's staff and stakeholders and to mitigate risks to its operations and communities where Armour operates.

Strategic and Financial Risks

Regulatory Risks
Changes in government, policy or legislation may result in material adverse impact on Armour's operations and financial position. Retrospective or unexpected regulatory changes may impact the viability of projects.

Companies in the oil and gas industry may also be required to pay direct and indirect taxes, royalties and other imposts in addition to normal company taxes. Armour's financial position may be affected by changes in government taxation and royalty policies or in the interpretation or application of such policies.

Armour monitors regulatory developments and seeks opportunities to engage with governments and regulators as well as industry bodies.

Commodity Price Risk

The prices Armour receives for the oil and gas produced is subject to the volatility of commodity prices and is a key driver for the business's financial performance. Armour is not of a size to have influence on gas or other petroleum product prices and is therefore a price-taker in general terms. This is particularly the case in relation to the Queensland gas spot market, and for oil, condensate, and LPG sales. Armour has in place some fixed-price AUD gas sales, as well as contracts and contracted agreements for some other products.

Sovereign Risk

Armour 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.

Armour'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 Funding

Armour's ability to fund operations and future growth is impacted by its ability to access funding. At 30 June 2021, Armour remained funded with cash reserves expected to be sufficient to meet the business's operating costs. Armour's ability to effectively continue as an oil and gas producing business is dependent upon several factors, including the success of the Kincora Gas Plant, successful exploration and subsequent exploitation of Armour's tenements.

Should these avenues be delayed or fail to materialise, Armour has a proven ability to successfully raise additional funding through debt, equity or farm out/sell down to allow Armour to continue as a going concern and meet its debts as and when they fall due.

Recent examples of the ability to raise funding via equity was the successful completion of the $11.5 million private placement in March 2021 and the $8.2 million private placement announced on 27 September 2021.

Board of Directors

Nicholas Mather (appointed 18 December 2009)

Executive Chairman

BSc (Hons, Geol), MAusIMM

Nicholas Mather has been involved in the junior resource sector at all levels for 34 years during which time he has been instrumental in the creation of resource companies with aggregate market caps at takeover and currently of approximately $6.8Bn. Nick is currently a Non-Executive Director of SolGold plc, Aus Tin Mining, New Peak Metals and Lakes Blue Energy NL. Nick is Managing Director and co-founder of DGR Global Limited (ASX) and was co-founder and served as an Executive Director of Arrow Energy NL until 2004. Nick was also the founder and Chairman of Waratah Coal, a co-founder and Non-Executive Director of Bow Energy Limited until its recent takeover by Arrow Energy Pty Ltd.

Nick is Executive Chairman and a member of the Remuneration Committee.

Current directorships/other interests

DGR Global Limited

NewPeak Metal Limited

Aus Tin Mining Limited

Lakes Blue Energy NL

SolGold plc (LSE and TSX)

Former directorships (last 3 years)

IronRidge Resources Limited (AIM) (resigned 28 June 2021)

Interests in shares: 9,019,912

Interest in options: 7,978,634

Stephen Bizzell (appointed 9 March 2012)

Non- Executive Director

BCom, MAICD, SA Fin

Stephen Bizzell is the Chairman of boutique corporate advisory and funds management group Bizzell Capital Partners Pty Ltd. He is currently Chairman of MAAS Group Holdings Ltd and Laneway Resources Ltd, and Director of Strike Energy Ltd and Renascor Resources Ltd. Stephen was previously an Executive Director of Arrow Energy Ltd, co-founder and Non-Executive Director of Bow Energy Limited and formerly Non-Executive Director of Queensland Treasury Corporation, Stanmore Coal Ltd, Diversa Ltd, Apollo Gas Ltd, UIL Energy Ltd and Dart Energy Ltd. He qualified as a Chartered Accountant and has considerable experience in the fields of corporate restructuring, debt and equity financing, and mergers and acquisitions and has over 25 years' corporate finance and public company management experience. Stephen is a member of the Audit & Risk Committee, Remuneration Committee and the Health, Safety and Environment Committee.

Current directorships/other interests

MAAS Group Holdings Limited

Renascor Resources Limited

Laneway Resources Limited

Strike Energy Limited

Challenger Energy Group Plc

Former directorships (last 3 years)

UIL Energy Limited (resigned 27 December 2018)

Stanmore Coal Limited (resigned 15 May 2020)

Interests in shares: 19,287,066

Interest in options: 48,969,324

Roland Sleeman (appointed 11 October 2011)

Independent Non-Executive Director

B.Eng. (Mech), MBA

Roland Sleeman has over 40 years energy industry experience, including in oil and gas production and processing, electricity generation and gas transmission. He has had roles ranging from negotiation and management of major energy contracts, including those for the 1980's establishment of the NWS gas project, management of the Goldfields Gas Pipeline and Chief Commercial Officer for Eastern Star Gas where, with Japanese partners, a modular LNG project was well advanced prior to takeover by Santos. More recently, Roland has provided expert advice to the Australian Energy Regulator in assessment of regulatory submissions, assisted the NT Power and Water Commission with gas and pipeline contract management, and was and independent member of the Western Australian Rule Change Panel (which oversaw Rules for operation of Western Australian electricity and gas markets). He is a Director and Chief Executive Officer of Lakes Blue Energy NL.

Roland is the Chair of Remuneration Committee, Chair of the Health, Safety and Environment Committee and a member of the Audit and Risk Committee.

Current directorships/other interests

Lakes Blue Energy NL

Former directorships (last 3 years)

None

Interests in shares: 59,999

Interest in options: NIL

Eytan Uliel (appointed 20 November 2017)

Independent Non-Executive Director

BA, LLB

Eytan Uliel is a finance executive with extensive oil and gas industry experience. He has served as Commercial Director of Bahamas Petroleum plc, a UK-listed company with conventional oil exploration acreage offshore The Bahamas. Eytan was Chief Financial Officer and Chief Commercial Officer of Dart Energy Limited, Chief Commercial Officer of its predecessor company, Arrow International Ltd, Asian Regional Head of the Corporate & Structured Finance Group at Babcock & Brown. Eytan was also with Carnegie, Wylie & Company as Managing Director. Eytan commenced his career as a corporate lawyer, with leading Australian law-firm Freehills. He has also previously served as Chairman and Chair of the Audit Committee of Easycall International Ltd (dual ASX / SGX listed), Director and Chair of the Audit committees of Strike Energy Limited (ASX listed) and Jasper Investments Ltd (SGX listed), an alternate director of Thakral Corporation Limited (SGX listed), a director of CH4 Gas Ltd (ASX listed until merged with Arrow Energy Ltd), and an alternate director of Neverfail Springwater Ltd (ASX listed). Eytan was previously a director and member of the audit committee of Lonely Planet Publications Pty Ltd, and a director of various Arrow / Dart entities across Asia and Europe.

Eytan is Chair of the Audit and Risk Committee.

Current directorships/other interests

None

Former directorships (last 3 years)

None

Has no interest in Armour Energy shares or options.

Leadership Team

Bradley Lingo

Chief Executive Officer

B.Arts (Honors), JD

Brad Lingo has had a distinguished career spanning over 30 years in a diverse range of oil and gas leadership roles, including business development, new ventures, mergers and acquisitions and corporate finance. Brad has been actively involved in oil and gas exploration, development and production activities in the Cooper Basin since 1993.

Brad has received recognition as an oil and gas industry leader winning the S&P/ASX200 Energy Best CEO of the Year award in 2014 in the annual SMH/East Coles awards. Prior to his role at Drillsearch, he was Head of Oil & Gas for the Commonwealth Bank of Australia. Brad started his career in the Cooper Basin as VP and Head of Business Development for Tenneco Energy and following the acquisition of Tenneco by El Paso Corporation, he was a co-founder of Epic Energy which became one of Australia's leading developer, owner and operator of natural gas infrastructure.

Michael Laurent

Chief Operating Officer

B.Eng (Mech)

Michael Laurent is a professional engineer with over 20 years of diverse oil & gas industry experience, having successfully held various senior managerial and GM positions. His career spans a number of sectors and includes expertise in reservoir, drilling, facilities, production and operations with particular emphasis on resource and business development. His experience is underpinned with strong strategic, commercial and technical acumen in both conventional and unconventional reservoirs. Career accomplishments include a track record of accepting P&L responsibility and ensuring operational objectives and budgets are met. Prior to joining Armour, Michael held a variety of domestic and international technical leadership roles. Most recently he worked for Santos where he was responsible for managing Cooper Basins oil and gas appraisal/development wells and field optimisation initiatives from inception through to approval and implementation.

Toni Hawkins

Chief Financial Officer

B.Bus, CA, GAICD

Toni Hawkins has over 20 years' experience in a range of senior finance roles in ASX listed companies, and brings a depth of energy and resources industry experience to her role as CFO for Armour Energy. Toni began her career at Qantas before progressing to various senior finance roles at Coca-Cola Amatil and Origin Energy, and prior to joining Armour held the role of General Manager, Finance and Business Services at Senex Energy. Toni is experienced in building positive stakeholder relationships and leading high performing teams that have delivered transformational change and strong business performance. Toni holds a Bachelor of Business (Management & Accounting) from the Queensland University of Technology and is a graduate of the Australian Institute of Company Directors. She is a member of the Chartered Accountants Australia and New Zealand and the Finance Executives Institute.

Mark Greenwood

Chief Commercial Officer

B.Eng (Chem)

Mark Greenwood joined Armour Energy in 2021 from Santos Limited where he spent the last seven years in senior roles spanning commercial, joint venture management, gas & liquids marketing, strategy and business development. Mark has held various positions within the industry including as a top-rated Energy analyst at Citigroup and JP Morgan. Mark holds a Bachelor of Chemical Engineering from the University of Adelaide.

Karl Schlobohm

Company Secretary

B.Comm, B.Econ, MTax, CA, FGIA

Karl Schlobohm is a Chartered Accountant with 25 years experience across a wide range of industries and businesses. Karl joined DGR Global in 2009 and has acted as CFO and / or Company Secretary for all of the listed entities sponsored by DGR Global in that time. He has expertise in Company Secretarial matters, Corporate Governance, Financial Accounting, Corporate Finance and Corporate Taxation matters. Karl holds Undergraduate Degrees in Commerce and Economics, together with a Masters Degree in Taxation. He is a member of the Australian Institute of Company Directors and the Institute of Chartered Accountants in Australia. Karl has previously held positions as Company Secretary and / or Non-Executive Director of ASX listed Linc Energy Limited, Agenix Limited, Discovery Metals Limited and Global Seafood Limited. He has also acted as CFO for Discovery Metals Limited and Meridian Minerals Limited.

Directors’ Report

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 2021.

Principal activities and significant changes in the state of affairs

The Group's principal activities are focused on oil and gas exploration, development and production of gas and associated liquids resources. The Group's work programs aim to increase liquid rich gas production and revenues while focussing on becoming one of Eastern Australia's most prominent onshore Oil and Gas explorers and producers.

In October 2020, Armour Energy Limited acquired CoEra Limited[1] from Oilex Ltd. CoEra Limited is the holding company of Cordillo Energy Pty Ltd and Holloman Petroleum Pty Ltd. Cordillo Energy Pty Ltd holds 27 Petroleum Retention Licences (PRLs) and 1 Petroleum Exploration Licence under Application (PELA) covering 2,990 km^2 and Holloman Petroleum Pty Ltd holds two Petroleum Exploration Licences (PELs) covering 2,252 km^2 of the Cooper Eromanga area.

There were no other significant changes in the state of the affairs of the Company during the financial year that have not been detailed elsewhere in this report.

A detailed operating and financial review is provided on pages 8 to 24 of this report and forms part of the Directors' report. Material risks to the Company are discussed on pages 35 to 37.

Directors

The Directors of Armour during the whole of the financial year and up to the date of this report are:

Nicholas Mather	Executive Chairman
Stephen Bizzell	Non-executive director
Roland Sleeman	Independent non-executive director
Eytan Uliel	Independent non-executive director

Their qualifications, experience and special responsibilities are included on pages 38 and 39.

Company Secretary

Mr Karl Schlobohm is Armour's Company Secretary. Details of Mr Schlobohm's qualifications and experience are set out on page 41.

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during financial year 2021, and the number of meetings attended by each Director were:

	Board		Audit and Risk Management Committee	
	Held	Attended	Held	Attended
Nicholas Mather	11	11		
Stephen Bizzell	11	11	3	3
Roland Sleeman	11	11	3	3
Eytan Uliel	11	11	3	3

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

[1] Later converted to a proprietary company

Corporate Structure

Armour Energy Limited 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 subsequently became an ASX-listed company on 26 April 2012.

Dividends

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

Future likely developments, prospects, and business strategies

There are no further developments of which the Directors are aware of that is not detailed elsewhere in this report which the Directors believe comment on, or disclosure of, would prejudice the interests of Armour.

Options on Issue

At the date of this report, the unissued ordinary shares of Armour Energy Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under option
31-Jul-18	31-Jul-21	$0.16	41,000,000
1-Oct-19	30-Sep-23	$0.08	40,000,000
17-Dec-19	30-Sep-23	$0.08	8,000,000
23-Jun-20	29-Feb-24	$0.05	31,166,497
30-Jun-20	29-Feb-24	$0.05	7,018,341
12-Aug-20	29-Feb-24	$0.05	9,424,831
24-Aug-20	29-Feb-24	$0.05	16,894,150
17-Sep-20	29-Feb-24	$0.05	35,929,524
1-Oct-20	29-Feb-24	$0.05	85,138,026
1-Oct-20	29-Feb-24	$0.05	59,025,859
19-Oct-20	29-Feb-24	$0.05	63,791,938
19-Oct-20	29-Feb-24	$0.05	24,019,471
22-Dec-20	29-Feb-24	$0.05	66,778,341
24-Mar-21	29-Feb-24	$0.05	62,494,099
8-Jul-21	29-Feb-24	$0.05	66,355,466
			617,036,543

Indemnity and Insurance of Directors and 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 ensure 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

Other than the below subsequent events, no other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect Armour's operations, the results of those operations, or Armour's state of affairs in future financial years.

- As announced on 23 September 2021, Armour will re-stimulate the Warroon #1 well in partnership with a private entity. The Warroon #1 Rewan sandstone was originally stimulated in November 2020 however failed due to a frac gel issue which is the subject of a dispute notice with the contractor who performed the stimulation. The Rewan sandstone remains an attractive candidate for production stimulation.
- As announced on 27 September 2021, Armour completed a $8,200,000 placement. The raise comprised of a $6,600,000 placement of shares and a $1,600,000 conditional placement (subject to approval at the Annual General Meeting). For every three new shares issued under the placement and conditional placement, the holder will also receive one attaching option exercisable at $0.05 and expiring 29 February 2024. These options are listed on the ASX with the ticker code AJQOA.
- Armour have agreed with Tribeca to extend their facility with Armour to 31 December 2021.
- The Northern Basin Business demerger and IPO is progressing with a pre-IPO raise by way of Redeemable Exchangeable Notes underway. The Redeemable Exchangeable Notes are unsecured and fully subordinated to the Secured Amortising Notes and Tribeca Facility, and subject to shareholder approval will convert to McArthur Oil & Gas Limited shares upon IPO. This pre-IPO raise will allow McArthur Oil and Gas to commence early planned works.

Environmental Regulation

Armour is subject to significant environmental regulation in relation to its operations. Armour 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 $5.6 million following a reduction of $1.2 million during the year. Armour 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 and Environmental Management System (HSEMS) and assurance processes.

Health & Safety

During the financial year, the Kincora Gas Project recorded 1 recordable incident. In early July 2021, Armour achieved a TRIFR of zero. Armour Energy has not received any formal notices or penalties from regulatory authorities during the period with inspections of our operating sites by Resources Safety & Health Queensland (RSHQ) during the period determining no regulatory non-compliance. Armour continues to work with the regulators to meet obligations and improve on our management systems.

Climate Change

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. Refer to the Sustainability Report 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

The Company's auditor, BDO, undertook some non-audit services during the year. 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 39 to the financial statements. The non-audit services totalling $2,475 relates to other advisory services provided.

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 39 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.

Remuneration Report (audited)

The remuneration report details the key management personnel remuneration arrangements for Armour, 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:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Group performance and link to remuneration
- Other transactions with key management personnel

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

The following persons are considered Key Management Personnel for Armour. Details of date of service is included where service was for all or part of the FY21 year:

Name	Position	Period of Service
Directors		
Nicholas Mather	Executive Chairman	Became KMP 1 July 2011
Roland Sleeman	Independent Non-Executive Director	Became KMP 17 October 2011
Eytan Uliel	Independent Non-Executive Director	Became KMP 20 November 2017
Stephen Bizzell	Non-Executive Director	Became KMP 8 March 2012
Executive KMP		
Bradley Lingo	Chief Executive Officer	Became KMP 12 June 2020
Michael Laurent	Chief Operating Officer	Became KMP 1 July 2020[2]
Toni Hawkins	Chief Financial Officer	Became KMP 1 December 2020
Mark Greenwood	Chief Commercial Officer	Became KMP 1 June 2021
Karl Schlobohm	Company Secretary	Became KMP 19 August 2011
Former Executive KMP		
Richard Aden	Chief Financial Officer	Ceased KMP 7 August 2020

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.

[2] *previously General Manager - Development (3 June 2019 to 30 June 2020)*

Principles used to determine the nature and amount of remuneration

Armour'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 Armour.

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 Armour 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 Armour. Further details on the remuneration of Directors and Executives are set out in this Remuneration Report.

Armour aims to reward the Executives with a level and mix of remuneration commensurate with their position and responsibilities within Armour. 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 Armour;
- 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.

Non-executive Directors' Remuneration

The board seeks to set aggregate remuneration at a level which provides Armour with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders. Armour'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 periodically 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.

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, Armour 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 director's or general meetings of Armour or otherwise in connection with the business of Armour.

All directors can 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 Armour's directors and officers insurance policy
- Directors are made aware of Armour's Corporate Governance policies and procedures
- Directors are ordinarily entitled to remuneration of $50,000 per annum, plus reasonable expenses for travel and accommodation, however, as of May 2020 there was a 20% reduction to lower Corporate costs
- 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 2021 is detailed on page 52 of this remuneration report.

Executive remuneration

Armour 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 Armour and to:

- link reward with the strategic goals and performance of Armour;
- 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 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; and
- 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 2021 is detailed on pages 52-53 of this Remuneration report.

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. The termination provisions applicable are set out below.

Name	Position	Duration of service	Notice Period	
			By Executive	By Company
Nicholas Mather	Executive Chairman	Ongoing	12 months	12 months
Bradley Lingo	Chief Executive Officer	Ongoing	6 months	6 months
Michael Laurent	Chief Operating Officer	Ongoing	3 months	3 months
Toni Hawkins	Chief Financial Officer	Ongoing	3 months	3 months
Mark Greenwood	Chief Commercial Officer	Ongoing	3 months	3 months
Karl Schlobohm	Company Secretary	Ongoing	3 months	3 months

Bonus payments and incentive criteria satisfaction are at the discretion of the Remuneration committee.

Salaried executives are entitled to their statutory entitlements of accrued annual leave and long service leave together with any superannuation on termination.

No directors or key management personnel have entitlement to termination payments in the event of removal for misconduct.

Chief Executive Officer Incentive Plan

Mr Lingo is entitled to a bonus, to be assessed annually by the Board, based on the following weighted KPI's and up to a maximum of $100,000.

No	KPI's	Contributed percentage
1	The Board approving a debt or equity refinancing of the FIIG Notes.	50%
2	The Company achieving a stabilised flow rate of in excess of 14TJ's per day from the Kincora Gas Project.	25%
3	The Board approving the entering into of a farm-out or other commercial agreement in respect of the NT Assets.	25%
	TOTAL	**100%**

In addition to the bonus payment, Mr Lingo is entitled to the below Performance Shares:

No	Performance Criteria	Number of shares
1	On the first Commercial Discovery in the Co-Era Assets being determined in accordance with recognised standards in the oil and gas industry and announced by the Company.	900,000
2	The VWAP for Shares trading on ASX for 20 consecutive days is not less than 500% over the closing price for Shares on the last trading day before the Commencement Date.	1,800,000
3	The Board approving the entering into of a farm- out or other commercial agreement in respect of the NT Assets.	1,350,000
4	The Board approving a refinancing of the FIIG Notes.	1,350,000
5	The Company achieving a stabilised flow rate of in excess of 14TJ's per day from the Kincora Gas Project.	900,000
6	On the first Commercial Discovery on any Licences other than. (a) The Kincora Gas Project; and (b) The CoEra Assets.	900,000

Voting and comments made at the Company's 2020 Annual General Meeting ('AGM')

At the 2020 AGM, 97.9% of the eligible votes received supported the adoption of the remuneration report for the year ended 30 June 2020. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

The table below for the remuneration of KMP of Armour is prepared in accordance with the Australian Accounting Standards and Corporations Act 2001.

		Short-term benefits			Post-employment benefits	Share-based payments	
	Year	Cash salary and fees	Cash bonus	Non- monetary	Superannuation	Shares	Total
		$	$	$	$	$	$
Directors:							
N Mather	**2021**	**168,000**	**-**	**-**	**-**	**-**	**168,000**
	2020	203,000	-	-	-	-	203,000
S Bizzell	**2021**	**40,000**	**-**	**-**	**-**	**-**	**40,000**
	2020	48,333	-	-	-	-	48,333
R Sleeman	**2021**	**40,000**	**-**	**-**	**-**	**-**	**40,000**
	2020	48,333	-	-	-	-	48,333
E Uliel	**2021**	**40,000**	**-**	**-**	**-**	**-**	**40,000**
	2020	48,333	-	-	-	-	48,333
Current other Key Management Personnel:							
K Schlobohm	**2021**	**40,000**	**-**	**-**	**-**	**-**	**40,000**
	2020	50,000	-	-	-	-	50,000
B Lingo	**2021**	**276,708**	**-**	**24,069**	**24,309**	**92,102**	**417,188**
	2020	13,800	-	817	1,288	5,382	21,287
M Laurent*	**2021**	**339,361**	**-**	**47,074**	**22,156**	**60,950**	**469,541**
	2020	279,635	-	20,650	20,772	-	321,057
T Hawkins**	**2021**	**150,292**	**-**	**15,581**	**13,059**	**35,094**	**214,026**
	2020	N/A					
M Greenwood***	**2021**	**20,032**	**-**	**4,809**	**2,695**	**58,333**	**85,869**
	2020	N/A					
Total Current KMP	**2021**	**1,114,393**	**-**	**91,533**	**62,219**	**246,479**	**1,514,624**
	2020	691,434	-	21,467	22,060	5,382	740,343

	Year	Short-term benefits			Post-employment benefits	Share-based payments	Total
		Cash salary and fees	Cash bonus	Non- monetary	Superannuation	Shares	
Previous other Key Management Personnel:							
R Aden**	**2021**	**41,497**			**2,908**		**44,405**
	2020	322,825	2,012	26,775	21,175	-	372,787
Total KMP	**2021**	**1,155,890**	**-**	**91,533**	**65,127**	**246,479**	**1,559,029**
	2020	1,014,259	2,012	48,242	43,235	5,382	1,113,130

* Mr Laurent was employed from 26 March 2019 as Subsurface Manager but was subsequently promoted to GM Development effective 19 July 2019 and then promoted again to the COO effective 1 July 2020.

** Mr Aden was employed as CFO from 23 July 2019 to 07 August 2020. Mrs Hawkins commenced as CFO on 1 December 2020.

*** Mr Greenwood commenced as Chief Commercial Officer on 1 June 2021.

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

- Ensure employees understand Armour'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, Armour may at its discretion, on an annual basis, pay a bonus to permanent employees who are employed by Armour 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.

There were no bonuses awarded in financial year 2021.

For the year ended 30 June 2021 $287,615 of other employment benefits were taken as ordinary shares in lieu of cash (2020: $72,916). The number of shares awarded was determined with reference to the share value based on a 10-day volume weighted average price (VWAP) at the time of qualification for the share allotment.

Options granted as part of remuneration for the year ended 30 June 2021

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 Armour to align comparative shareholder return and reward for directors and executives.

During the year ended 30 June 2021, there were no options granted as remuneration to Key Management Personnel (2020: NIL). There are no options on issue over unissued ordinary shares in Armour Energy Ltd on 30 June 2021 to Key Management Personnel.

Performance Shares

There were no performance shares granted, vested or forfeited during the year.

KMP	Expected vesting date	Grant date	Grant number	Value per PS at grant date	Balance on 30 June 2021
B Lingo	30/06/2022	12/06/2020	900,000	$0.03	900,000
B Lingo	12/06/2025	12/06/2020	1,800,000	$0.02	1,800,000
B Lingo	30/11/2021	12/06/2020	1,350,000	$0.03	1,350,000
B Lingo	31/12/2021	12/06/2020	1,350,000	$0.03	1,350,000
B Lingo	31/12/2021	12/06/2020	900,000	$0.03	900,000
B Lingo	30/06/2023	12/06/2020	900,000	$0.03	900,000
			7,200,000		**7,200,000**

With the exception of tranche 2, value per performance share at grant date is calculated using the share price at the date of issue. Tranche 2 contains market-based performance conditions and the value per performance share at grant date is calculated using a Monte Carlo simulation model, which takes into account factors such as the market based vesting condition, the share price at the date of issue and volatility of the underlying share price and the time to maturity of the performance share.

Shares issued on exercise of remuneration options

There were no options exercised during the year that were previously granted as remuneration (2020: NIL).

Shareholdings

The details of all ordinary shares in Armour Energy Ltd as of 30 June 2021 held by Key Management Personnel is set out below:

Key Management Personnel	Balance at 1-Jul-20	Granted as/ in lieu of compensation	Net changes Other	Balance at 30-Jun-21
Directors				
N Mather	4,830,364	-	1,339,548	6,169,912
S Bizzell	2,212,066	-	11,075,000	13,287,066
R Sleeman	58,333	-	1,666	59,999
Executive KMP				
K Schlobohm	391,049	258,953	-	650,002
M Laurent	500,000	2,650,000	-	3,150,000
T Hawkins	-	516,031	-	516,031
R Aden	595,462	-	(595,462)	-
	8,587,274	**3,723,384**	**1,157,718**	**13,468,376**

Note: "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 as of 30 June 2021 (2020: NIL).

Option holdings

The details of all option holdings in Armour Energy Ltd as of 30 June 2021 held by Key Management Personnel is set out below:

Directors/ Key management personnel	Balance at 1-Jul-20	Net Change other	Balance at 30-Jun-21	Total vested	Total Vested and exercisable
Directors					
N Mather	591,197	6,275,937	6,867,134	6,867,134	6,867,134
S Bizzell	6,276,505	26,929,819	33,206,324	33,206,324	33,206,324
Executive KMP					
K Schlobohm	900,000	(770,524)	129,476	129,476	129,476
M Laurent	250,000	-	250,000	250,000	250,000
	8,017,702	**32,435,232**	**40,452,934**	**40,452,934**	**40,452,934**

"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 on 30 June 2021 (2020: NIL).

Performance share holdings

The details of all performance shareholdings in Armour Energy Ltd as of 30 June 2021 held by Key Management Personnel is set out below. The performance shares carry no dividend or voting rights. See page 51 above for conditions that must be satisfied for the performance shares to vest.

When exercisable, each performance share is convertible into one ordinary share of Armour Energy Limited. If an executive ceases employment before the shares vest, the shares will be forfeited.

Directors/ Key management personnel	Balance at 1-Jul-20	Balance at 30-Jun-21	Total vested	Total Vested and exercisable	Total unvested and un-exercisable
B Lingo	7,200,000	7,200,000	1,350,000	1,350,000	5,850,000
	7,200,000	**7,200,000**	**1,350,000**	**1,350,000**	**5,850,000**

Group performance and link to remuneration

During the financial year, Armour has generated losses as its principal activity was 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.

Armour Energy Limited listed on the ASX on 26 April 2012. The closing share price as of 30 June 2021 was 2.6 cents per share.

The earnings of Armour for the five years to 30 June 2021 are summarised below:

	2021	2020	2019	2018	2017
	$'000	$'000	$'000	$'000	$'000
Sales revenue	17,502	21,104	27,819	14,749	573
Loss after income tax	(11,594)	(9,571)	(11,684)	(12,198)	(11,475)

Armour 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.

Armour 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:

$ cents	2021	2020	2019	2018	2017
Share price at financial year end (cents)	2.6	2.0	6.7	9.0	7.0

Other transactions with key management personnel and their related parties

Company debt instruments held by key management personnel

There were no convertible notes held by key management personnel on 30 June 2021.

The early redemption of all existing Convertible Notes on issue on 29 March 2019 was repaid through a refinancing transaction involving the issue of the $55 million new Secured Amortising Notes, some of which were subscribed for by key management personnel, as set out below.

	Notes held at the start of the year	Received as part of remuneration	Additions	Disposals / other	Notes held at the end of the year
	Number	**Number**	**Number**	**Number**	**Number**
Corporate bond holdings					
Stephen Bizzell	100	-	-	-	100
		Interest	**Principal**	**Additions / Disposals**	**Total paid during 2021**
		$	**$**	**$**	**$**
Corporate bond payments					
Stephen Bizzell		7,166	31,696	-	38,862

No other directors and key management personnel held any debt instruments in the Company at the start, during or at the end of the year.

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.

Armour entered into an agreement with Bizzell Capital Partners Pty Ltd as Lead Manager for the capital raising program detailed in ASX announcements on 27 July 2020 and 18 March 2021.

In December 2020, Armour Energy completed a $15,000,000 million capital raising and in March 2021 Armour completed a $11,500,000 capital raising. Bizzell Capital Partners jointly lead both the capital raisings and was paid capital raising fees totalling $468,505 (net of GST) on arm's length terms (FY2020: 240,000).

As at 30 June 2021, Bizzell Capital Partners held 33,206,324 options, nil convertible notes, and 100 corporate bonds (2020: 6 million unquoted options, nil convertible notes, and 100 corporate bonds). The corporate bonds were purchased on the same terms and conditions as all other bondholders.

Samuel Holdings Pty Ltd

Samuel Holdings Pty Ltd is an entity controlled by Mr Nicholas Mather (Executive Chairman) who is the sole director.

The Entitlement Offer ending in December 2020 was partly sub-underwritten by Samuel Holdings Pty Ltd (As trustee).

Samuels Holdings Pty Ltd received a fee of five (5) percent of the sub-underwritten amount from Bizzell Capital Partners. In addition, Armour issued four (4) Underwriter Options for every $1 of the sub-underwritten amount.

Other than the above, there were no other transactions with Key Management Personnel for the year ended 30 June 2021.

This concludes the Remuneration report, which has been audited.

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 Armour support and have adhered to the ASX corporate governance principles, where appropriate for the Company. Armour’s corporate governance statement has been released as a separate document and is located on our website at www.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 2001.

On behalf of the Directors

Nicholas Mather
Executive Chairman
30 September 2021

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

As lead auditor of Armour Energy Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

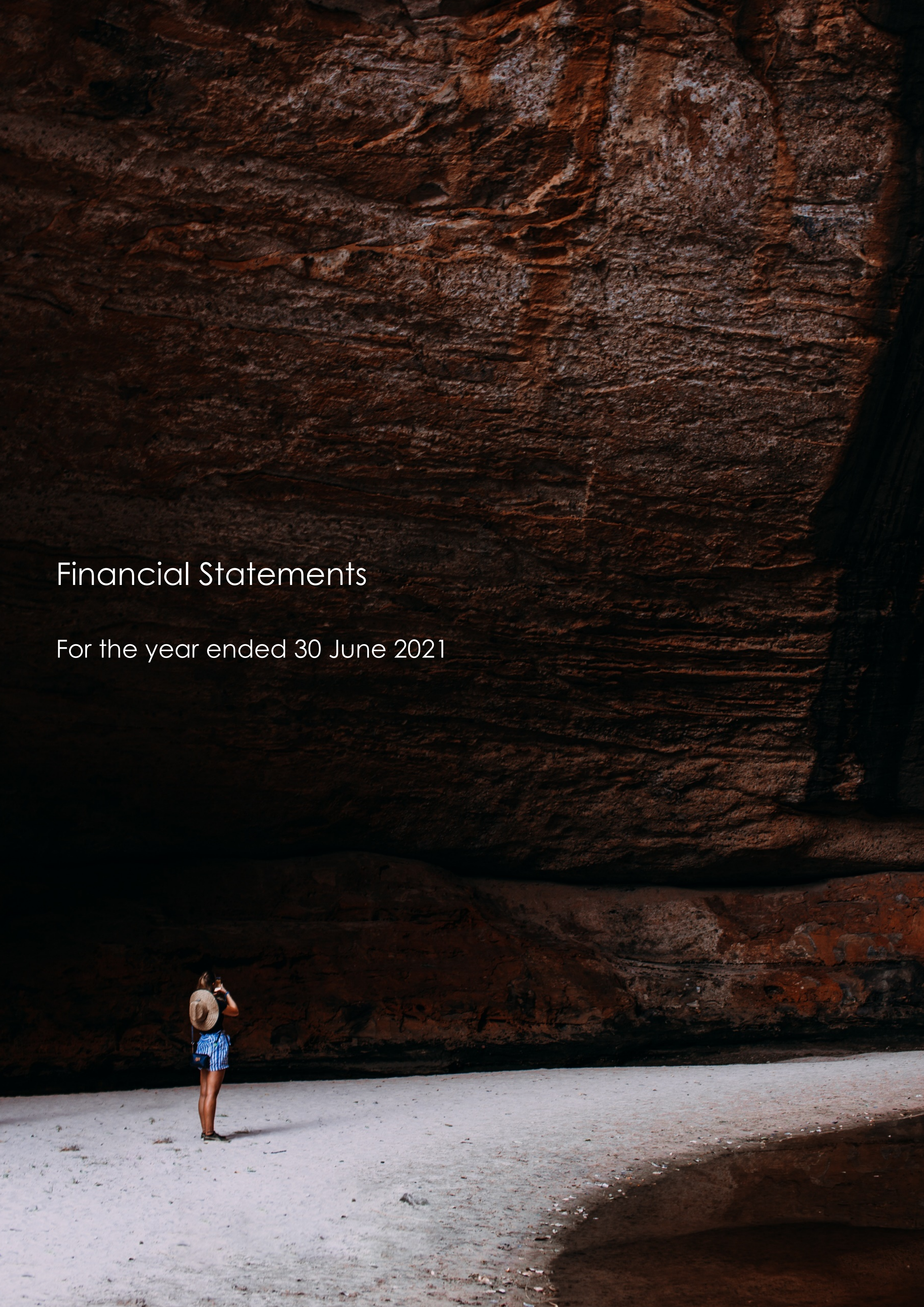
1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

R M Swaby
Director

BDO Audit Pty Ltd

Brisbane, 30 September 2021



Financial Statements

For the year ended 30 June 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

		Consolidated	
		30 June 2021	30 June 2020
	Note	$'000	$'000
Revenue			
Revenue from contracts with customers	7	17,502	21,104
Cost of goods sold	8	(22,151)	(19,484)
Gross profit		**(4,649)**	**1,620**
Net gain on sale of assets	7	15,857	-
Other income	7	601	490
Interest revenue	7	70	128
Expenses			
Exploration expenditure impairment	16	(853)	(720)
Finance costs	9	(6,316)	(7,192)
General and administrative expenses	8	(4,338)	(3,348)
Oil and gas expenditure impairment	17	(11,500)	-
Share-based payments	8	(464)	(73)
Loss before income tax expense		**(11,592)**	**(9,095)**
Income tax expense	10	-	(476)
Loss after income tax expense for the year attributable to the owners of Armour Energy Limited		**(11,592)**	**(9,571)**
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	18	(637)	(1,487)
Income tax on items that may be reclassified to profit or loss		-	446
Other comprehensive income for the year, net of tax		(637)	(1,041)
Total comprehensive loss for the year attributable to the owners of Armour Energy Limited		**(12,229)**	**(10,612)**
		Cents	**Cents**
Basic loss per share	11	(1.0)	(1.7)
Diluted loss per share	11	(1.0)	(1.7)

These consolidated financial statements should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

		Consolidated	
		30 June 2021	30 June 2020
Assets	**Note**	**$'000**	**$'000**
Current assets			
Cash and cash equivalents	12	2,358	3,246
Trade and other receivables	14	2,104	2,016
Inventories	15	2,097	2,588
Other current assets		876	869
		7,435	8,719
Assets held for sale		-	44
Total current assets		7,435	8,763
Non-current assets			
Intangibles		230	225
Exploration and evaluation assets	16	32,013	35,209
Oil and gas assets	17	52,763	58,333
Other financial assets	18	10,778	9,197
Right-of-use assets	19	1,361	216
Property, plant and equipment		36	35
Total non-current assets		97,181	103,215
Total assets		**104,616**	**111,978**
Liabilities			
Current liabilities			
Trade and other payables	20	9,056	6,606
Lease liabilities	21	369	190
Employee benefits	22	497	401
Borrowings	23	13,620	11,714
Deferred consideration		-	1,000
Total current liabilities		23,542	19,911
Non-current liabilities			
Borrowings	24	23,877	43,123
Lease liabilities	21	964	33
Employee benefits	22	32	49
Provision for restoration and abandonment	25	6,688	6,688
Total non-current liabilities		31,561	49,893
Total liabilities		**55,103**	**69,804**
Net assets		**49,513**	**42,174**
Equity			
Issued Capital	26	133,771	114,311
Reserves	27	1,917	2,446
Accumulated Losses		(86,175)	(74,583)
Total equity		**49,513**	**42,174**

These consolidated financial statements should be read in conjunction with the accompanying notes.

Consolidated Statement of Cashflows

		Consolidated	
		30-Jun-21	30-Jun-20
	Note	$'000	$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		18,901	24,101
Payments to suppliers and employees (inclusive of GST)		(21,995)	(17,488)
Interest received		34	123
Interest paid on lease liability		(65)	(22)
Other Interest paid		(4,461)	(6,572)
Government grants		524	283
Net cash used in operating activities	13	**(7,062)**	**(2,856)**
Cash flows from investing activities			
Refund/(payments) for security deposits		(1,414)	(193)
Payments for property, plant, and equipment		(30)	-
Payments for oil and gas assets		(11,436)	(22,005)
Payments for intangible assets		-	(225)
Grant funds received in relation to oil and gas assets		-	2,596
Proceeds from sale of exploration assets		21,664	15,500
Payments for acquisition of exploration and evaluation assets		(4,011)	(2,497)
Net cash from investing activities		**4,773**	**(6,824)**
Cash flows from financing activities			
Proceeds from issue of shares		21,025	8,434
Payment of principal portion of lease liability		(262)	(192)
Repayment of borrowings		(18,800)	(3,850)
Transaction costs on the issue of shares and notes		(562)	(691)
Net cash from financing activities		**1,401**	**3,701**
Net increase/(decrease) in cash and cash equivalents		(888)	(5,979)
Cash and cash equivalents at the beginning of the reporting period		3,246	9,225
Cash and cash equivalents at the end of the reporting period	12	**2,358**	**3,246**

These consolidated financial statements should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2020	114,311	2,446	(74,583)	42,174
Loss after income tax expense	-	-	(11,592)	(11,592)
Other comprehensive income, net of tax	-	(637)	-	(637)
Total comprehensive income	-	(637)	(11,592)	(12,229)
Transactions with owners in their capacity as owners:				
Shares issued during the year	19,460	-	-	19,460
As a result of an asset acquisition	907	-	-	907
Share issue costs	(1,194)	-	-	(1,194)
Share-based payments	287	108	-	395
Balance at 30 June 2021	**133,771**	**1,917**	**(86,175)**	**49,513**

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2019	106,539	3,268	(65,012)	44,795
Loss after income tax expense	-	-	(9,571)	(9,571)
Other comprehensive income, net of tax	-	(1,041)	-	(1,041)
Total comprehensive income	-	(1,041)	(9,571)	(10,612)
Transactions with owners in their capacity as owners:				
Shares issued during the year	8,339	-	-	8,339
Share issue costs	(708)	213	-	(495)
Recognition of deferred tax assets relating to share issue costs	74	-	-	74
Share-based payments	67	6	-	73
Balance at 30 June 2020	**114,311**	**2,446**	**(74,583)**	**42,174**

These consolidated financial statements should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

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 30 September 2021. 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 2021:

1. Is a general-purpose financial report.
2. Is prepared on a going concern basis (discussed further in Note 4).
3. Has been prepared in accordance with the Corporations Act 2001.
4. Has been prepared in accordance with accounting standards and interpretations in this report, which encompass the:

    a. Australian Accounting Standards ("AASBs") and other authoritative pronouncements of the Australian Accounting Standards Board; and
    b. International Financial Reporting Standards and Interpretations ("IFRS") as issued by the International Accounting Standards Board ("IASB").
5. 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 28.
6. Is presented in Australian Dollars ("AUD"), which is both the Company's and the Group's presentation currency. All values are rounded to the nearest thousand ($'000) except when indicated otherwise. The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off' of amounts in the financial statements.
7. 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.
8. Presents reclassified comparative information where required for consistency with the current year's presentation.
9. 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 2020. None had a significant impact on the Financial Statements.
10. 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 below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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 32.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Armour Energy Limited ('Company' or 'parent entity') as at 30 June 2021 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 can 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.

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.

Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. At each reporting date, Management reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset’s fair value less costs to sell and value in use is compared to the assets carrying value. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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.

Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the company will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

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 relatively stable production during the year ended 30 June 2021, resulting in $17,502,000 of revenue. The group is forecasting to increase revenue over the coming 12 months by executing a number of commercial arrangements to deliver work programs designed to exploit the Group's existing flowing wells.

For the year ended 30 June 2021, the Group generated a consolidated net loss before tax of $11,592,000 and incurred operating cash outflows of $7,062,000. As at 30 June 2021, the Group had cash and cash equivalents of $2,358,000, net current liability of $16,107,000 and net assets of $49,513,000.

Whilst there is confidence in the performance of the Kincora Gas Plant and optimism for 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.

Cost Reductions

Armour is continuing to reduce costs across the business. Armour is seeking to reduce to the full extent possible all overheads including contractors, administration costs and office rent. Armour is also aiming to reduce operating expenditure at its Kincora Gas Project, while maintaining its ability to reliably maintain production in a safe and environmentally compliant manner.

Capital Raising 2021

The capital program completed March 2021 raised $11,500,000 through a private placement. Shareholder approval was necessary for the settlement of some of the placement amounts, which was received at an EGM held on 11 June 2021.

The equity raised through the placement enabled the Company to focus on the demerger of the Northern Basin business. These funds were also used for general working capital purposes and to provide some flexibility in treasury management.

Subsequent to year end and as announced on 27 September 2021, Armour completed a further capital raise of $8,200,000 through private placement. The raise comprised of $6,600,000 of new shares and $1,600,000 of conditional placement (subject to approval at the Annual General Meeting).

Development Expenditure

Armour has had strong interest from parties to farm into its Surat and Cooper Basin assets. This would allow Armour to focus on the following work programs:

- Surat Basin Production Enhancement – a well stimulation program, the first of which will commence in early October 2021
- Cooper Basin Exploration – Accelerating the Cooper Basin exploration program aimed at high grading the existing 2D/3D seismic controlled leads and prospects portfolio to generate 3 to 5 high-quality drill ready 3D controlled prospects

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

1. The Company is in the process of demerging its Northern Basin business to a new company McArthur Oil & Gas.
2. The Company is in the process of raising pre-IPO funds through convertible notes in McArthur.
3. The cash generating ability of the Kincora Project is anticipated to increase as the Group moves ahead with farmouts to undertake work programs and increase production.
4. The Group has the ability to manage capital and liquidity by taking some or all of the following actions:
    a. 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.
    b. Reducing its level of capital expenditure through farm-outs and/or joint ventures.
    c. Managing its working capital expenditure.
    d. Applying for eligible Research and Development tax refund receipts, and other Government incentives; and
    e. Disposing of non-core assets.

5. Increasing cashflow earnings – increasing production through delivering work programs; achieving cost-saving target; pursuing higher gas and other products sales prices through proactive business development and negotiations.
6. Proposed refinancing of maturing debt facilities.

As stated above, there are a number of progressed actions Armour can consider.

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 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	
16	Exploration and evaluation assets
17	Oil and Gas assets
25	Provision for restoration and abandonment

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

Note 6. 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, Northern Territory, South Australia and Victoria, Australia.

Operating segments are determined on the basis of financial information reported to the Board.

For the year ended 30 June 2021, Management identified the Group as having two main reporting segments, being Exploration, Evaluation and Appraisal activities (EEA), and the Production and Development of petroleum products (oil, gas, LPG and condensate) in the Surat Basin, Queensland (Surat), and will report on these segments accordingly.

The Corporate and other segment represents administration and other overheads that are not allocated to the operating segments.

The chief operating decisions maker (CODM) reviews EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) monthly. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

Types of products and services

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

EEA

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.

Surat

The Group produces petroleum products from its Kincora operating plant in the Surat Basin, which includes a mix of Gas, LPG, Oil and Condensate and sells these to LNG and Domestic customers.

Intersegment transactions

An internally determined cost base is set for all intersegment services provided. All such transactions are eliminated on consolidation of 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 2021 approximately 52% (2020: 58%) 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.
- Proceeds from capital raisings

Operating segment information

	EEA		Surat		Corporate		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue								
Revenue from contracts with customers	-	-	17,502	21,104	-	-	17,502	21,104
Total segment revenue	-	-	17,502	21,104	-	-	17,502	21,104
EBITDA	-	192	869	2,379	(4,513)	(901)	(3,644)	1,670
Depreciation and amortisation	-	-	(6,397)	(2,950)	(482)	(58)	(6,879)	(3,008)
Impairment of assets	(853)	(720)	(11,500)	-	-	-	(12,353)	(720)
Gain on disposal of assets	15,857	-	-	28	-	-	15,857	28
Interest revenue	-	-	69	-	1	127	70	127
Finance costs	-	-	(723)	(1,942)	(3,920)	(5,250)	(4,643)	(7,192)
Loss before income tax expense	15,004	(528)	(17,682)	(2,485)	(8,914)	(6,082)	(11,592)	(9,095)
Income tax expense							-	(476)
Loss after income tax expense							(11,592)	(9,571)
Assets								
Segment assets	33,802	35,209	67,230	73,692	-	-	101,032	108,901
Unallocated assets							3,584	3,076
Total assets							104,616	111,977
Liabilities								
Segment liabilities	-	-	19,022	18,447	-	-	19,022	18,447
Unallocated liabilities							36,081	51,357
Total liabilities							55,103	69,804

Net gain on sale of assets includes the sale of Armour's interest in Murrungama, the South Nicholson Basin and 100% owned subsidiary Ripple Resources Pty Ltd. See Note 7 for further details.

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.

Note 7. Revenue

Revenue from contracts with customers

The Group generated revenue from the sale of petroleum products that have similar performance obligations and are goods that are transferred at a point in time.

	Consolidated	
	30 June 2021	30 June 2020
	$'000	$'000
Revenue from contracts with customers		
Gas	12,623	15,386
LPG	1,785	2,068
Oil and Condensate	3,094	3,650
	17,502	**21,104**

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 the 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. Payment is due by the customer within 30 days from the end of the invoiced month.

Other Income

	Consolidated	
	30 June 2021	30 June 2020
	$'000	$'000
Net gain on sale of assets	15,857	-
Government grants	601	455
Interest Received	70	127
Other	-	36
	16,528	**618**

Murrungama Gas Project

Armour entered into a Sale and Purchase Agreement with APLNG for Armour's 10% interest for a total of $4,000,000. An initial deposit of $500,000 was received in June 2020 and the remaining $3,500,000 was received in August 2020. Armour held minimal cost on the balance sheet for this project.

South Nicholson Basin Assets

The original farm-in agreement between the Armour and Santo QNT Pty Ltd was amended to accelerate payments relating to the permit transfer process. This resulted in an immediate cash payment of $6,000,000 in August 2020.

In December 2020, the Group sold the remaining 30% interest in a portion of the South Nicholson Basin interests to Santos. As consideration, Armour received an initial cash payment of $3,000,000 in December 2020 and the balance of $9,164,000 in February 2021. Under this agreement Santos acquired 100% ownership of ATP 1087. Santos also will acquire the application permit areas in Queensland ATP(A) 1192 and 1193 and the Northern Territory tenement EP(A) 172 and 177. Armour retained full ownership and operatorship of ATP(A) 1107.

Ripple Resources

Ripple Resources Pty Ltd was sold to Auburn Resources Limited (Auburn). In consideration, Armour received 5,600,000 fully paid ordinary Auburn shares valued at $700,000. Following completion, Armour will hold approximately 12.5% of Auburn's issued share capital.

Government Grants

The Group was eligible for certain government support in response to the COVID-19 pandemic such as JobKeeper and cash boosts from the Australian Taxation Office.

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.

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.

Note 8. Expenses

	Consolidated	
	30 June 2021	30 June 2020
	$'000	$'000
Loss before income tax includes the following specific expenses:		
Cost of goods sold		
Operating expenses	13,197	12,583
Employee expenses	3,761	4,158
Oil and gas properties depreciation	5,193	2,743
Total cost of goods sold	22,151	19,484
General and administrative expenses		
Employee expenses not included in operating expenses	1,639	1,137
Management fee	456	456
Consultancy and legal costs	656	938
Insurance not included in Cost of goods sold	272	359
Director fees	277	350
Depreciation and amortisation		
Office equipment	14	16
Amortisation of intangibles	24	42
Other expenses	1,000	50
Total general and administrative expenses	4,338	3,348
Share-based payments	464	73
Total superannuation expense (included in costs of goods sold and general and administrative expenses)	805	770

Employee benefits expenses

The Group's accounting policy for liabilities associated with employee benefits are set out in Note 22 and the share-based payments policy in Note 35.

Note 9. Finance costs

	Consolidated	
	30 June 2021	30 June 2020
	$'000	$'000
Interest expense	3,918	4,769
Financing fees	725	864
Amortisation of debt facilities and associated issue costs	1,673	1,478
Unwinding of provision for contingent consideration	-	81
	6,316	7,192

Note 10. Income tax

(a) Component of income tax expense (benefit)

	Consolidated	
	30 June 2021	30 June 2020
	$'000	$'000
Income tax expense is made up of:		
Deferred tax	-	476
Aggregate income tax expense	-	476
Income tax charged in equity is made up of:		
Deferred tax	-	30
Aggregate income tax charged in equity	-	30
The prima facie tax on loss before income tax is reconciled to the income tax expense as follows:		
Loss before income tax expense	(11,594)	(9,095)
Tax at the statutory tax rate of 30%	(3,478)	(2,729)
Tax effect amounts which are not deductible in calculating taxable income:		
Share-based payments	113	22
Expenses not deductible for tax purposes		-
	(3,365)	(2,707)
Current year tax losses not recognised	2,173	3,788
Prior year over (under)	1,192	(605)
Income tax expense	-	476

(b) Reconciliation of net deferred tax

	Opening balance 1-Jul-20	Net charged to income	Net charged to OCI	Net charged to equity	Closing Balance 30-Jun-21
	$'000	$'000	$'000	$'000	$'000
Deferred tax asset					
Carried forward tax losses	2,944	(2,251)	-	-	693
Accruals/provisions	322	(23)	-	-	299
Property, Plant & Equipment (Armour)	13	(2)	-	-	11
Capital raising costs through P&L	72	(23)	-	-	49
Capital raising costs in equity	121	(61)	-	100	160
Provision for rehabilitation (Surat Basin)	1,379	628	-	-	2,007
Available for sale financial assets	1,228	-	209	-	1,437
Amortisation of Convertible Notes	1,362	-	-	-	1,362
Amortisation of Tribeca Facility	563	280	-	-	843
Lease Liabilities	58	342	-	-	400
Unrealised FX Loss	-	8	-	-	8
Holloman Exploration License (Reset CB)	-	108	-	-	108
Holloman Tax Cost base (transaction costs)	-	8	-	-	8
Deferred tax asset	8,062	(986)	209	100	7,385
Deferred tax liability					
Exploration & Evaluation assets	(8,649)	187	-	-	(8,462)
Oil & Gas assets	654	860	-	-	1,514
Unrealised FX Gain	-	-	-	-	-
Leased Assets	(67)	(344)	-	-	(411)
Prepayments	-	(12)	-	-	(12)
Accrued Income	-	(14)	-	-	(14)
Deferred tax liability	**(8,062)**	**677**	**-**	**-**	**(7,385)**
Net deferred tax	-	(309)	209	100	-
Deferred tax assets not recognised					
Unused tax losses	53,318	7,243	-	-	60,560
Capital raising costs in equity	-	-	-	333	333
Available for sale financial assets (Lakes Oil shares)	-	-	697	-	697
Potential tax benefit at 30%	**15,995**	**2,173**	**209**	**100**	**18,477**

	Opening balance 1-Jul-19	Net charged to income	Net charged to other comprehensive income	Net charged to equity	Closing Balance 30-Jun-20
	$'000	$'000	$'000	$'000	$'000
Deferred tax asset					
Carried forward tax losses	8,505	(5,561)	-	-	2,944
Accruals/provisions	206	116	-	-	322
Property, Plant & Equipment (Armour)	13	-	-	-	13
Capital raising costs through P&L	109	(37)	-	-	72
Capital raising costs in equity	88	(41)	-	74	121
Provision for rehabilitation (Surat Basin)	1,379	-	-	-	1,379
Available for sale financial assets	782	-	446	-	1,228
Amortisation of Convertible Notes	1,362	-	-	-	1,362
Amortisation of Tribeca Facility	265	298	-	-	563
Lease Liabilities	-	8	-	50	58
Deferred tax assets	**12,709**	**(5,217)**	**446**	**124**	**8,062**
Deferred tax liability					
Exploration & Evaluation assets	(13,030)	4,381	-	-	(8,649)
Oil & Gas assets	322	332	-	-	654
Other	-	27	-	(94)	(67)
Deferred tax liability	**(12,708)**	**4,740**	**-**	**(94)**	**(8,062)**
Net deferred tax	1	(477)	446	30	-
Deferred tax assets not recognised					
Unused tax losses	39,832	13,486	-	-	53,318
			-	-	
Potential tax benefit at 30%	**11,950**	**4,045**	**-**	**-**	**15,995**

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 as at 30 June 2021 under COT. Deferred tax assets which have not been recognised as an asset, will only be obtained if:

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

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.

Note 11. Earnings per share

	Consolidated 30 June 2021 $'000	30 June 2020 $'000
Loss after income tax attributable to the owners of the parent entity	(11,592)	(9,571)
Weighted average number of shares used in (thousands)		
- Basic earnings	1,201,060	573,421
- Diluted earnings	1,201,060	573,421
Earnings per share (cents) attributable to the ordinary equity holders of the parent entity		
Basic loss per share	(1.0)	(1.7)
Diluted loss per share	(1.0)	(1.7)

Options and rights are not considered dilutive as they are currently out of the money.

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.

Note 12. Current assets – Cash and cash equivalents

	Consolidated 30 June 2021 $'000	30 June 2020 $'000
Cash at bank and in hand	2,311	3,243
Other cash and cash equivalents	47	3
	2,358	3,246

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

Accounting policy for cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with 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

	Consolidated	
	30-Jun-21	30-Jun-20
	$'000	$'000
Loss after income tax expense for the year	(11,594)	(9,571)
Adjustments for:		
Depreciation and amortisation	5,231	3,008
Net gain on sale of assets	(15,857)	(28)
Share-based payments	464	73
Impairment of exploration and evaluation expenditure	853	720
Impairment of oil and gas expenditure	11,500	-
Interest expense on borrowing facilities	(1,937)	(1,203)
Amortisation of borrowing facilities and issue costs	1,673	1,705
Unwinding of the discount on deferred consideration	-	81
Inventory adjustment	(114)	(220)
Change in operating assets and liabilities:		
(Increase) / decrease in other current assets	(7)	(345)
Increase / (decrease) in trade and other payables	2,323	2,558
(Increase) / decrease in trade and other receivables	(88)	517
(Increase) / decrease in deferred tax assets	-	476
(Increase) / decrease in inventories	491	(627)
Net cash used in operating activities	(7,062)	(2,856)

Equity settled share-based payment transactions are disclosed in Note 35.

Apart from in Note 35, there are no other non-cash financing and investing activities to disclose.

(b) Reconciliation of liabilities arising from financing activities

	Consolidated			
	Tribeca Loan	Corporate Bonds	Other Borrowed funds	Total
	$'000	$'000	$'000	$'000
Balance at 1 July 2019	4,649	52,766	-	57,415
Net cash used in financing activities	-	(3,850)	-	(3,850)
Amortisation	1,015	256	-	1,271
Balance at 30 June 2020	5,664	49,172	-	54,836
Borrowed Amounts	-	-	60	60
Net cash used in financing activities	(1,367)	(17,433)	-	(18,800)
Amortisation	932	469	-	1,401
Balance at 30 June 2021	5,229	32,208	60	37,497

Note 14. Current assets – Trade and other receivables

	Consolidated	
	30 June 2021	30 June 2020
	$'000	$'000
Trade receivables	2,099	1,734
Cash calls from JV parties	-	98
Cash call receivable - Lakes Blue Energy NL	-	61
	2,099	1,893
Other receivables	5	123
	2,104	2,016

Key judgement - 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 2021 (30 June 2020: NIL). Based on the historical recovery of receivables, the small number of customers and customer payment obligations per gas sales agreements, the historical loss rates are adjusted for current and forward-looking information on economic factors affecting the Group's customers, including the COVID-19 pandemic. As such the company considers that the estimated expected credit loss is not material for the Group.

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 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 2021, included in trade receivables is one significant debtor accounting for approximately 57% (2020: 57%) of the total trade receivables.

Note 15. Current assets – Inventories

	Consolidated	
	30 June 2021	30 June 2020
	$'000	$'000
Gas	198	315
Oil and Condensate	46	44
LPG	6	6
Materials & Consumables	1,847	2,223
	2,097	2,588

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. Non-current assets - Exploration and evaluation assets

	Consolidated	
	30 June 2021	30 June 2020
	$'000	**$'000**
Exploration and evaluation assets	40,377	42,720
Less: Accumulated impairment	(8,364)	(7,511)
	32,013	35,209

	Consolidated	
	30 June 2021	30 June 2020
	$'000	**$'000**
Movements in the provision for impairment amounts		
Balance at the beginning of the year	(7,511)	(6,790)
Provisions raised	(853)	(721)
	(8,364)	(7,511)

	Consolidated	
	30 June 2021	30 June 2020
	$'000	$'000
Movements in carrying amounts		
Balance at the beginning of the year	35,209	49,276
Additions	4,153	2,270
Additions acquired with CoEra Pty Ltd[1]	1,064	-
Government grants relating to Exploration and Evaluation assets	-	(617)
Farm-in agreement proceeds[2]	-	(15,000)
Disposals[2,3]	(7,560)	-
Provision for impairment	(853)	(720)
	32,013	35,209

[1]**Cooper Basin Assets**

Armour acquired 100% of the issued capital of CoEra Limited, an Australian company previously a fully owned subsidiary of Oilex Limited. CoEra's assets include a substantial footprint of exploration licences on the oil rich Western and Northern Flanks of the Cooper Basin. The Basin is one of Australia's most prolific producing oil and gas province, which historically has a high exploration success rate and low-cost development pathways. Armour issued 24,500,000 shares ($906,000) as consideration for the purchase. In accordance with AASB 3, this transaction has been treated as an asset acquisition. The following table shows the assets acquired and the purchase consideration at acquisition date.

	Fair Value
Consideration paid for Cooper Basin Assets	$'000
Exploration Expenditure	827
Consideration Paid in Issued Shares for CoEra Limited	827
Payment to reimburse Oilex of licence fees and applications	127
Exercising the option to purchase the remaining 20% interest in the PELs	60
Payment to reimburse Senex of historical costs	50
Consideration Paid in Cash for CoEra Limited	237
Total Exploration assets acquired	**1,064**
Financial assurances	
Security deposits (Paid in shares)	79
Payment to reimburse Terra Nova for the Financial Assurance held with South Australia's DEM (Paid in Cash)	21
Total Financial assurances acquired	**100**
Total consideration paid in issued shares	**906**
Total consideration paid in cash	**258**

Subsequent to the purchase of CoEra Limited and its subsidiaries, Armour applied to have CoEra Limited converted to a proprietary company.

[2] Ripple Resources

Ripple Resources Pty Ltd was sold to Auburn Resources Limited (Auburn). In consideration, Armour received 5,600,000 fully paid ordinary Auburn shares worth $700,000. Following completion, Armour will hold approximately 12.5% of Auburn's issued share capital.

[3]South Nicholson Basin

In FY 2020, a farm-in agreement was executed between Armour and Santos QNT Limited (Santos) for 70% of Armour's South Nicholson Basin tenements, ATP1087, ATP1107, ATP1192 and ATP1193 (applications), and the Northern Territory tenements EP172 and EP177, both of which are also in the application phase. An initial $15,000,000 was received as part of the farm-in agreement.

In early FY 2021, the Company entered into an agreement with Santos to amend the South Nicholson Basin farm-in agreement, resulting in an immediate cash payment of $6,000,000 as an acceleration of future contingent permit transfer payments.

Armour entered into another agreement with Santos to sell its remaining 30% legal and beneficial interest in ATP 1087, ATP(A)1192, ATP(A)1193, EP(A)172 and EP(A)177, and retain 100% of ATP 1107, for an additional $12,164,000.

The disposal represents the sale of the net cost remaining of these abovementioned assets (Ripple Resources and South Nicholson Basin) after considering the R&D Exploration Grant received from the government in relation to ATP 1087 and the $15,000,000 cash payment received for the original Farm-in Agreement made during the 2020 financial year.

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.

Provision for Impairment of Exploration and Evaluation assets

In FY 2020 an impairment of $721,000 related to the Group's interest in Ripple Resources was recognised. In FY 2021 Ripple Resources was sold to Auburn Resources Limited.

In accordance with the Group's accounting policy, the Exploration and Evaluation assets were tested for indicators of impairment at 30 June 2021. The Group determined that there was a trigger present for Surat Basin ATP 2028 as the appeal made to the government in relation to its determination of the Potential Commercial Area (PCA) application was withdrawn. Therefore, it was determined that it was appropriate for an impairment to be recognised in relation to Surat Basin ATP 2028 as the carrying value of the Group's interest exceeded what is expected to be its recoverable amount. As such, an impairment provision of $853,000 was recorded during the year ended 30 June 2021.

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 2021, the facts and circumstances 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 Accounting Standard AASB 6 "Exploration for and Evaluation of Mineral Resources".

Accounting policy for farm-in arrangements

Armour does not record any expenditure made by the farmee in its account. It also does not recognise any gain or loss on its exploration and evaluation farm-in arrangements but reallocates the costs previously capitalised in relation to the whole interest as relating to the interests held. Any cash consideration received directly from the farmee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by Armour as a gain on disposal.

Note 17. Non-current assets - Oil and gas assets

	Consolidated	
	30 June 2021	30 June 2020
	$'000	$'000
Oil & gas assets - at cost	85,517	74,394
Less: Accumulated amortisation	(10,809)	(5,616)
Less: Provision for impairment	(11,500)	-
	63,208	68,778
Less: R&D grants relating to Oil & gas assets	(4,389)	(4,389)
Less: GAP grants relating to Oil & gas assets	(6,056)	(6,056)
	(10,445)	(10,445)
	52,763	58,333

	Consolidated	
	30 June 2021	30 June 2020
	$'000	$'000
Movements in carrying amounts		
Balance at the beginning of the year	58,333	42,344
Additions	11,123	21,322
Depreciation charge	(5,193)	(2,743)
Provision for impairment	(11,500)	-
Government Grants relating to Oil and Gas Assets	-	(2,590)
	52,763	58,333

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 (2P) 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.

Provision for impairment of oil and gas assets

Recognition and measurement

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.

Calculating the Group's recoverable amount

The recoverable amount is the higher of an asset's:

a) fair value less cost of disposal
b) its value in use

Oil & Gas assets are assessed on a cash generating unit (CGU) basis. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Management has determined Surat's fields to be the Group's CGU with shared management and personnel and operating as one cash operating unit. Individual assets within a CGU can become impaired if its future use changes or if the benefits from ongoing use is expected to be less than the carrying value of the individual asset.

Valuation method

As part of the Group's impairment assessment management consider the future demand for its products, impact of any changes in economic, regulatory or legal environment and other indicators such as market capitalisation and reserve updates.

The value in use is calculated using expected future cash flows from continuing use of the CGU, including the anticipated capital expenditure to achieve this and its ultimate disposal. The cashflows are discounted to their present value using a post-tax discount rate reflecting the current market assessment of time value of money and the risks specific to the asset or CGU.

The future cash flows are most sensitive to estimates of future commodity prices, foreign exchange rates and discount rates.

Future commodity prices are based on the Group's current best estimate of expected market prices with reference to current spot rates, forward curves and external market analysis.

Foreign exchange rates are based on external market forward indexes from a few of the big four banks estimates.

The discount rate applied of 10% to the future cash flows are based on the weighted average cost of capital, adjusted for the Group's known risks.

The following represents inputs to the future cash flows:

Commodity & Fx Assumptions	FY 2022	FY 2023	FY 2024	Longer-term
Oil $USD/bbl	61.98	61.39	68.98	Increased by inflation each year after
Contracted Gas $AUD/GJ	6.26	6.38	6.51	
Spot Market Gas $AUD/GJ	6.84	7.23	7.96	
LPG $USD/T	488.47	431.80	530.60	
USD/AUD fx rate	1.25	1.25	1.33	1.33

The assessment of the value in use and the decline in production performance in some of Surat Basin production wells indicated the recoverable amount of the Group's Surat Basin CGU could require an impairment for the year ended 30 June 2021.

Upon further assessment there were a number of assets held as part of the oil and gas assets with historical costs dating pre-July 2018. As these specific assets are not currently producing and with the changing market, it is not expected that these historical costs will be recovered. As such, the Group has recorded an impairment of $11,499,000 relating to oil and gas assets.

In the event that future circumstances change from these assumptions, the recoverable amounts of the CGU could change materially and result in further impairment losses or the reversal of impairment losses.

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.

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 18. Non-current assets - Other financial assets

	Consolidated	
	30 June 2021	30 June 2020
	$'000	$'000
Financial assets at fair value through other comprehensive income	5,402	4,702
Less: cumulative fair value movement	(4,252)	(3,615)
	1,150	1,087
Financial assurances	5,613	6,779
Security deposits	4,015	1,331
	10,778	9,197

As part of the purchase of the Cooper Basin Assets, an additional $540,000 of financial assurances were accounted for consisting of $100,000 relating to the PELs in Holloman Petroleum Pty Ltd and $440,000 entered into by Armour on behalf Cordillo Energy Pty Ltd for the 27 Northern Fairway PRLs.

The increased Security Deposit also represents the changes to the Secured Amortising Notes requirements, a new Interest Reserve Account, in the name of the Note Trustee, was created to hold a deposit equal to three times the amount of interest that would be payable on the immediately following interest payment date. As at 30 June 2021, this deposit was $2,339,000.

As a result of the sale of ATP 1087, the deposit of $221,000 held for its rehabilitation was returned to the group.

Financial assurances and security deposits are cash backed bank guarantees.

	Consolidated	
	30 June 2021	*30 June 2020*
	$'000	**$'000**
Movements in financial assets at fair value through Other Comprehensive Income		
Opening balance at 1 July	1,087	2,125
Additions	700	450
Fair Value adjustments through Other Comprehensive Income	(637)	(1,488)
	1,150	1,087

Financial assets at fair value through other comprehensive income comprise:

- Ordinary shares in LKO, which were fully impaired during the year due to uncertainty of its relisting
- LKO convertible notes, which are secured by all of LKO's assets. LKOs existing tenements are current and all in good standing
- The additions during the year for the shares received in Auburn Resources NL for the sale of Ripple Resources Pty Ltd

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 28 for detail of the Group's fair value accounting policy.

Security deposits and financial assurances are measured at amortised cost.

Note 19. Non-current assets - right-of-use assets

	Consolidated	
	30 June 2021	30 June 2020
	$'000	$'000
Motor vehicles - right-of-use	2,055	626
Less: Accumulated depreciation	(694)	(410)
	1,361	216

Accounting policy for 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 Group 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 in line with AASB138 *Impairment of Assets* or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Note 20. Current liabilities - Trade and other payables

	Consolidated	
	30 June 2021	30 June 2020
	$'000	$'000
Trade payables	3,820	3,548
Deposits Held	2,075	-
Accrued expenses	1,938	2,250
Other payables	1,009	601
GST payable	124	183
Unearned Income	59	-
Other tax liabilities	31	24
Trade payables	9,056	6,606

Deposits held are funds received from investors as part of the March 2021 private placement. The shares were issued subsequent to year-end on 8 July 2021.

Refer to Note 29 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 28.

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.

Note 21. Current and non-current liabilities - lease liabilities

	Consolidated	
	30 June 2021	30 June 2020
	$'000	$'000
Current Lease liability	369	190
Non-Current Lease liability	964	33
	1,333	223

Refer to note 29 for further information on financial risk management.

Accounting policy for 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 Group'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 an interest 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 22. Current and non-current liabilities - Employee benefits

	Consolidated	
	30 June 2021	30 June 2020
	$'000	$'000
Current Employee Benefits	497	401
Non-Current Employee Benefits	32	49
	529	450

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

Long-term 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 23. Current liabilities – Borrowings

	Consolidated	
	30 June 2021	30 June 2020
	$'000	$'000
Tribeca Loan Facility	5,229	5,664
Secured Amortising Notes	8,800	6,050
Secured Amortising Notes - issue costs	(469)	-
Other facilities	60	-
	13,620	11,714

The Group complied with all relevant covenant requirements of the Tribeca loan facility and Secured Amortising Notes during the year ended 30 June 2021.

Facility terms and security disclosures

Tribeca loan facility

On 26 July 2018, Armour Energy Limited and its subsidiary, Armour Energy (Surat Basin) Pty Ltd (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 of an environmental bonding finance facility. The Facility is secured by a guarantee from the Company, in seven bank accounts controlled by Westpac Banking Corporation (the Credit Accounts) in the name of Armour Surat, and a second ranking featherweight security interest over all the present and after-acquired property of Armour Surat.

The Tribeca Facility has a 9% per annum coupon rate payable by Armour Surat quarterly in arrears on amounts drawn with the maturity date now extended to 31 December 2021. 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.

	Consolidated	
	30 June 2021	30 June 2020
	$'000	$'000
Movement in carrying amounts		
Face value of loan facility	6,759	6,759
Issue costs of loan facility	(137)	(137)
Other equity securities - value of conversion rights, net of issue costs	(2,893)	(2,893)
Repayments during the year at NPV	(1,261)	-
Amortisation of conversion rights	2,739	1,886
Amortisation of issue costs	22	49
	5,229	5,664

Note 24. Non-current liabilities – Borrowings

Total secured liabilities

	Consolidated	
	30 June 2021	30 June 2020
	$'000	$'000
Secured Amortised Notes	24,917	45,100
Secured Amortised Notes - issue costs	(1,040)	(1,977)
	23,877	43,123

Refer to Note 29 for further information on financial risk management.

	Consolidated	
	30 June 2021	30 June 2020
Total current and non-current	$'000	$'000
Secured Amortising Notes		
Face value of Secured Amortising Notes	33,717	51,150
Issue costs of Secured Amortising Notes	(2,351)	(2,351)
Amortisation of Secured Amortising Notes costs	842	373
	32,208	49,172

Facility terms and security disclosures

Secured Amortising Notes

In FY 2019, Armour Energy Limited announced a $55 million Secured Amortising Notes facility, refinancing all outstanding convertible notes on issue and providing additional funding for exploration and general working capital.

The main terms of the Secured Amortising Notes are as follows:

- Issue date of 29 March 2019, with 55,000 new $1,000 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.

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.

Note 25. Non-current liabilities - Provision for restoration and abandonment

	Consolidated	
	30 June 2021	30 June 2020
	$'000	$'000
Restoration and abandonment	6,688	6,688

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 are valued by the Financial Provisioning Scheme in accordance with legislative requirements as required. For the provision recognised at 30 June 2021, 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 26. Equity - Issued capital

Issued and paid up capital

	Consolidated			
	30-Jun-21	30-Jun-20	30-Jun-21	30-Jun-20
	Shares	Shares	$'000	$'000
Ordinary shares - fully paid	1,529,816,120	779,247,711	141,876	121,222
Share issue costs	-	-	(10,194)	(9,000)
Recognition of deferred tax asset relating to share issue costs	-	-	2,089	2,089
	1,529,816,120	779,247,711	133,771	114,311

Movements in ordinary share capital

Details	Date	Shares	Issue price	Value
		#		$'000
Balance	1-Jul-19	509,437,570		106,539
Shares issued for cash (Entitlement Offer)	30-Sep-19	80,000,000	$0.05	4,000
Shares issued under employment contracts	5-Nov-19	1,164,384	$0.06	68
Shares issued for cash (Entitlement Offer)	23-Jun-20	165,273,600	$0.02	3,801
Shares issued for cash (Entitlement Offer)	30-Jun-20	23,372,157	$0.02	538
Share issue costs				(709)
Recognition of deferred tax assets relating to share issue costs				74
Balance	30-Jun-20	779,247,711		114,311
Shares issued for cash (Entitlement Offer)	12-Aug-20	18,849,710	$0.02	434
Shares issued for cash (Entitlement Offer)	24-Aug-20	33,788,306	$0.02	777
Shares issued for cash (Entitlement Offer)	17-Sep-20	67,859,048	$0.02	1,561
Shares issued for cash (Placement)	18-Sep-20	29,893,030	$0.02	688
Shares issued for cash (Placement)	23-Sep-20	146,158,694	$0.02	3,362
Shares issued under services contracts	29-Sep-20	2,173,913	$0.02	50
Shares issued under Share and Purchase Agreement	15-Oct-20	24,500,000	$0.04	907
Shares issued for cash (Placement)	16-Oct-20	56,374,176	$0.02	1,297
Shares issued under employment contracts	19-Oct-20	2,650,000	$0.02	61
Shares issued under employment contracts	20-Nov-20	1,019,623	$0.02	33
Shares issued for cash (Entitlement Offer)	23-Dec-20	112,800,818	$0.02	2,594
Shares issued under employment contracts	8-Jan-21	360,000	$0.02	7
Shares issued under employment contracts	8-Jan-21	88,011	$0.06	5
Shares issued for cash (Placement)	24-Mar-21	249,976,294	$0.04	8,749
Shares issued under employment contracts	1-Apr-21	360,000	$0.02	7
Shares issued under employment contracts	1-Apr-21	3,716,786	$0.03	123
Share issue costs				(1,195)
Balance	30-Jun-21	1,529,816,120		133,771

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 reporting date.

Grant Date	Expiry Date	Number	Exercise price	vested
		#	$	%
31/07/2018	31/07/2021	41,000,000	$0.16	100.00%
01/10/2019[1]	30/09/2023	40,000,000	$0.08	100.00%
17/12/2019[1]	30/09/2023	8,000,000	$0.08	100.00%
23/06/2020[2]	29/02/2024	31,166,497	$0.05	100.00%
30/06/2020[2]	29/02/2024	7,018,341	$0.05	100.00%
12/08/2020[2]	29/02/2024	9,424,831	$0.05	100.00%
24/08/2020[2]	29/02/2024	16,894,150	$0.05	100.00%
17/09/2020[2,3]	29/02/2024	35,929,524	$0.05	100.00%
01/10/2020[2]	29/02/2024	144,163,885	$0.05	100.00%
19/10/2020[2]	29/02/2024	87,811,409	$0.05	100.00%
22/12/2020[2]	29/02/2024	66,778,341	$0.05	100.00%
24/03/2021[4]	29/02/2024	62,494,099	$0.05	100.00%
Balance		550,681,077		

[1] In September 2019, the Company closed a private placement raising gross proceeds of $4 million via an allocation of 80 million shares at a price of 5 cents each. Investors also received one unlisted option exercisable at 8 cents (through to 30 September 2023) for every two shares subscribed, resulting in 40,000,000 unlisted options being issued. This private placement was managed by Bizzell Capital Partners Pty Ltd (BCP). As part of the capital raising fee for their services, BCP was entitled to 8,000,000 options exercisable at 8 cents (through to September 2023).

[2] In June 2020, the company announced a further capital raising program, which ended in December 2020. There was an attaching option for every two New Shares issued under the Entitlement Offer and / or Placement available to both institutional and retail eligible shareholders. There was a total of 397,186,978 options issued exercisable at 5 cents and expiring 29 February 2024 as part of this program.

[3] In addition to the placements, there was 2,000,000 unlisted options issued as a share-based payment on 17 September 2020.

[4] The private placement in March 2021 included an attaching option for every four new shares issued. This issuance was of the existing listed series (ASX: AJQOA) which are exercisable at 5 cents and expiring 29 February 2024.

In total, there were 423,496,239 options issued in financial year 2021, exercisable at 5 cents and expiring 29 February 2024.

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 number 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 are shown in equity as a deduction, net of tax, from the proceeds.

Note 27. Equity - Reserves

	Consolidated	
	30 June 2021	30 June 2020
	$'000	$'000
Financial assets at fair value through other comprehensive income reserve	(5,977)	(5,340)
Share-based payments option reserve	4,903	4,887
Performance shares reserve	98	6
Tribeca Loan Option Reserve	2,893	2,893
	1,917	2,446

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.

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 shares reserve	Equity conversion right - Tribeca Loan	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2019	(4,299)	4,674	-	2,893	3,268
Revaluation - gross	(1,487)	-	-	-	(1,487)
Deferred tax	446	-	-	-	446
Share-based payments	-	213	6	-	219
Balance at 30 June 2020	(5,340)	4,887	6	2,893	2,446
Revaluation - gross	(637)	-	-	-	(637)
Share-based payments	-	16	92	-	108
Balance at 30 June 2021	(5,977)	4,903	98	2,893	1,917

Note 28. 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

	Consolidated				
	Year	Level 1	Level 2	Level 3	Total
		$'000	$'000	$'000	$'000
Financial assets (liabilities) at fair value through other comprehensive income	**2021**	**-**	-	1,150	1,150
	2020	-	-	1,087	1,087

Assets and liabilities held for sale are measured at fair value on a non-recurring basis.

The fair values of all financial assets and liabilities approximate their carrying amounts principally due to their short-term nature or the fact that they are measured and recognised at fair value.

As part of the annual review of Lakes Blue Energy's investment it was determined that it was appropriate for an impairment to be recognised due to the uncertainty of Lakes Blue Energy's relisting. As such, the investment in shares was fully written off during the year ended 30 June 2021. The convertible notes are secured by the assets of Lakes Blue Energy and deemed to be recoverable.

The financial asset held at 30 June 2021 are shares held in Auburn Resources NL. These shares were received for the sale of Ripple Resources Pty Ltd. The level 3 inputs used in determining the fair value of the Auburn Resources NL investment is based on seed capital raising programs held in August and September 2021. This program issued shares with an issue price of 12.5 cents per share.

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 29. Financial risk management

General Objectives, Policies and Processes

The Group's principal financial instruments consists of deposits with banks, receivables, other financial assets, payables, borrowings, and secured amortising notes.

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 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 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. 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.

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 adjusted 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 secured amortising notes 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 and financial assurances are held with Australian financial institutions to mitigate credit risk, being Macquarie Bank (local currency short term rating A-2) and Westpac (local currency short term rating A-1+).

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

Liquidity risk

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.

Financing arrangements

The Group had no access to undrawn borrowing facilities at the end of the reporting period (2020: nil).

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been prepared 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.

		Weighted average interest rate	*1 year or less*	*Between 1 and 2 years*	*Between 2 and 5 years*	*Remaining contractual maturities*
	Year	%	$'000	$'000	$'000	$'000
Non-derivatives						
Non-interest bearing						
Trade payables	**2021**	-	**9,056**	-	-	**9,056**
	2020	-	6,606	-	-	6,606
Deferred consideration	**2021**	-	-	-	-	-
	2020	-	1,000	-	-	1,000
Interest-bearing - fixed rate						
Tribeca facility	**2021**	**9.00%**	**5,516**	-	-	**5,516**
	2020	9.00%	608	6,803	-	7,411
Secured Amortising Notes	**2021**	**8.75%**	**11,462**	**12,299**	**15,236**	**38,997**
	2020	8.75%	10,363	25,209	27,970	63,542
Capital lease	**2021**	**16.30%**	**-**	**-**	**-**	**-**
	2020	16.30%	33	-	-	33
Lease liability	**2021**	**8.88%**	**391**	**295**	**1,009**	**1,695**
	2020	6.30%	156	33	-	189

Interest payable on the Secured Amortising Notes is quarterly in arrears. The Secured Amortising Notes 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.

Note 30. 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 30-June-2021	Ownership interest 30-June-2020
		%	%
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%
Ripple Resources Pty Ltd	Queensland / Australia	-	100.00%
McArthur Oil and Gas Limited	Queensland / Australia	100.00%	-
McArthur NT Pty Ltd	Queensland / Australia	100.00%	-
CoEra Pty Ltd	South Australia/ Australia	100.00%	-
Cordillo Energy Pty Ltd	South Australia/ Australia	100.00%	-
Holloman Petroleum Pty Ltd	South Australia/ Australia	100.00%	-

Note 31. 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 30-June-2021	Ownership interest 30-June-2020
		%	%
PL 1084 (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%
ATP 212P - PL 30	Queensland, Australia	90.00%	90.00%
ATP212P - PL512, PPL22	Queensland, Australia	84.00%	84.00%
Weribone Pooling Area	Queensland, Australia	50.64%	50.64%
PCA157 Bainbilla Block	Queensland, Australia	24.75%	24.75%
ATP 754P	Queensland, Australia	50.00%	50.00%
ATP 1087	Queensland, Australia	-	30.00%
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.

Note 32. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	30-June-2021	30-June-2020
	$'000	$'000
Profit/ (Loss) after income tax	(8,638)	(12,147)
Other Comprehensive income for the year, net of tax	(637)	(1,041)
Total Comprehensive income	(9,275)	(13,188)

Statement of financial position

	Parent	
	30-June-2021	30-June-2020
	$'000	$'000
Total current assets	941	792
Total assets	85,897	90,565
Total current liabilities	12,491	2,135
Total liabilities	36,385	51,345
Equity		
Issued capital	133,771	114,311
Financial assets at fair value through other comprehensive income reserve	(5,975)	(5,338)
Share-based payments option reserve	4,903	4,887
Performance shares reserve	98	5
Tribeca Loan Option Reserve	2,893	2,893
Accumulated losses	(86,176)	(77,538)
Total equity	49,512	39,220

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

As at 30 June 2021, the parent entity is a guarantor for its subsidiary Armour Energy (Surat Basin) Pty Ltd for debts relating to the Tribeca loan facility.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

Note 33. 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 30.

Joint Operations

Interests in joint ventures are set out in Note 31.

Key management personnel

Disclosures relating to key management personnel are set out in Note 34 and the remuneration report included in the Directors' report.

Transactions with related parties

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

	Consolidated	
	30 June 2021	30 June 2020
	$	$
Payment for goods and services:		
Payment for services from entity with significant influence - DGR Global Ltd[1]	456,000	456,000
Payment for services from other related party - Bizzell Capital Partners[2]	468,505	336,039

[1] 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 (2020: $38,000). For the year ended 30 June 2021 $456,000 (2020: $456,000) was paid or payable to DGR Global for the provision of the Services. The total amount outstanding at year end was $243,424 (2020: $167,200). As at 30 June 2021 DGR Global held 4,550 secured amortising notes totalling $4,550,000 (2020: 8,750). The notes were purchased on the same terms and conditions as other noteholders.

[2] Armour entered into an agreement with Bizzell Capital Partners Pty Ltd as Lead Manager for the capital raising programs.

In December 2020, Armour Energy completed a $15 million capital raise program. Bizzell Capital Partners was joint lead manager of the private placement and was paid a capital raising fee totalling $241,960 (net of GST) on arm's length terms.

In March 2021, Armour Energy completed an $11.5 million capital raise program. Bizzell Capital Partners was joint lead manager of the private placement and was paid a capital raising fee totalling $226,545 (net of GST) on arm's length terms.

As at 30 June 2021, Bizzell Capital Partners held 6 million unquoted options, 26,392,319 Quoted options and 100 secured amortising notes (2020: 6 million unquoted options and 100 secured amortising notes). The notes were purchased on the same terms and conditions as all other bondholders.

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:

	Notes held at the start of the year	Additions	Disposals/ Other	Notes held at the end of the year
	Number	**Number**	**Number**	**Number**
Secured amortising notes holdings				
Stephen Bizzell	100	-	-	100

No other directors and key management personnel held any debt instruments in the Company at the start, during or at the end of the year.

Note 34. 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:

	Consolidated	
	30 June 2021	*30 June 2020*[1]
	$	**$**
Short-term employee benefits	1,155,890	1,741,662
Post-employment benefits	65,127	73,720
Share-based payments	246,479	72,916
Short-term non-monetary benefits	91,533	48,242
	1,559,029	1,936,540

[1] Note 30 June 2020 does not reconcile to the Remuneration Report as various key management personnel who were not employed during the 2021 financial year have not been included.

Refer to the Remuneration Report on pages 47 to 58.

Note 35. 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 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.

	2021 WAEP	2021 Number	2020 WAEP	*2020* Number
Outstanding at the beginning of the year	$0.33	6,750,000	$0.30	17,375,000
Issued during the year	$0.05	2,000,000		-
Expired during the year	$0.33	(6,750,000)	$0.28	(10,625,000)
Outstanding and exercisable at the end of the year	$0.05	2,000,000	$0.33	6,750,000

There were no options issued to employees and Directors under the Armour Energy Employee Share Option Plan during 2021 (2020: NIL). The options issued during the year are part of an independent contractor agreement. The options outstanding as at 30 June 2021 have a weighted average remaining contractual life of 2.67 years and exercise price of $0.05.

On 17 September 2020, the company issued 2,000,000 options as part of an independent contractor agreement. The fair value of these options at grant date was $0.0080. This value was calculated using a Black Scholes option pricing model applying the following inputs:

Number of options	2,000,000
Exercise price	$0.050
Share price on grant date	$0.021
Grant date	17/09/2020
Expiry date	29/02/2024
Volatility	84.811%
Dividend yield	-
Risk-free interest rate	0.24%
Weighted average fair value at grant date	$0.0080

Other option issues

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

The other options outstanding as at 30 June 2021 have a weighted average remaining contractual life of 0.22 years and exercise price of $0.07.

	Consolidated			
	2021 WAEP	30 June 2021 Number	2020 WAEP	30 June 2020 Number
Balance at the start of the year[1]	$0.15	49,000,000	$0.17	43,000,000
Granted during the year[2]		-	$0.08	8,000,000
Expired during the year		-	$0.27	(2,000,000)
Exercisable at the end of the year	$0.15	49,000,000	$0.15	49,000,000

The opening balance of options were issued in two tranches:

[1] 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). These options expired on 31 July 2021.

[2] Bizzell Capital Partners managed the private placement that closed on 23 September 2019 and was entitled to receive an allotment of 8,000,000 unlisted options exercisable at 8 cents through to 30 September 2023. Of the 8 million, 2 million were subsequently transferred to an unrelated sub-underwriter.

Performance rights shares

The following table illustrates the number of, and movements in, performance shares issued for during the year.

	Consolidated	
	30 June 2021	30 June 2020
	$	$
Balance at the start of the year	7,200,000	-
Granted during the year	-	7,200,000
Expired during the year	-	-
	7,200,000	7,200,000

There was $92,000 included in share-based payments to recognise the value of the performance shares for the year ended 30 June 2021.

Share-based payment expense

Equity settled share-based payments

For the year ended 30 June 2021 $287,000 of employment benefits were taken as ordinary shares in lieu of cash (2020: $68,000).

Option expense

There was a $16,000 option expense recognised in the statement of profit or loss for the year ended 30 June 2021 (2020: NIL).

Performance shares expense

There was a $92,000 option expense recognised in the statement of profit or loss for the year ended 30 June 2021 (2020: $5,000).

The balance of the share-based payment expense relate to shares not yet issued at 30 June 2021.

Share issue costs

There were approximately 14.3m ordinary shares issued ($284,000) in lieu of cash for invoices related to the management of the capital raises performed during the year.

Other share-based payment transactions

The Group issued $906,000 in Armour shares for the purchase of the Cooper Basin entities. See Note 16 for further details.

The Group received $700,000 in Auburn Resources shares as consideration for the sale of Ripple Resources.

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 or supplier 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 is 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 is 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 36. Commitments

	Consolidated	
	30 June 2021	30 June 2020
	$'000	$'000
Exploration Expenditure Commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	14,952	13,451
One to five years	114,722	33,038
More than five years	2,127	-
	131,801	46,489

Capital 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 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.

Of the $129,674,000 minimum required in the coming six years, $49,030,000 are commitments for the McArthur Basin tenements. These permits are in the process of being demerged through a new company McArthur Oil & Gas.

Note 37. 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.

Armour are currently disputing the determination of the Queensland Government in relation to ATP 2028 and ATP 2029. Armour took action against the State's Land Court for five parcels of land. Armour has withdrawn from Surat Basin's ATP 2028 but remains confident in relation ATP 2029. Management remains confident that the appeal will be successful and for both parties to pay for their own costs incurred. As such it is improbable that any outflow of economic resources will be required to settle any obligation and therefore no contingent liability has been recognised.

Other than the above, the Group had no other contingent assets or liabilities at 30 June 2021.

Note 38. Events after the reporting period

Other than the below subsequent events, no other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect Armour's operations, the results of those operations, or Armour's state of affairs in future financial years.

- As announced on 23 September 2021, Armour will re-stimulate the Warroon #1 well in partnership with a private entity. The Warroon #1 Rewan sandstone was originally stimulated in November 2020 however failed due to a frac gel issue which is the subject of a dispute notice with the contractor who performed the stimulation. The Rewan sandstone remains an attractive candidate for production stimulation.
- As announced on 27 September 2021, Armour completed a $8,200,000 placement. The raise comprised of a $6,600,000 placement of shares and a $1,600,000 conditional placement (subject to approval at the Annual General Meeting). For every three new shares issued under the placement and conditional placement, the holder will also receive one attaching option exercisable at $0.05 and expiring 29 February 2024. These options are listed on the ASX with the ticker code AJQOA.
- Armour have agreed with Tribeca to extend their facility with Armour to 31 December 2021.
- The Northern Basin Business demerger and IPO is progressing with a pre-IPO raise by way of Redeemable Exchangeable Notes underway. The Redeemable Exchangeable Notes are unsecured and fully subordinated to the Secured Amortising Notes and Tribeca Facility, and subject to shareholder approval will convert to McArthur Oil & Gas Limited shares upon IPO. This pre-IPO raise will allow McArthur Oil and Gas to commence early planned works.

Note 39. 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.

	Consolidated	
	30 June 2021	30 June 2020
	$	$
Audit services - BDO Audit Pty Ltd		
Audit or review of the financial statements	93,141	88,642
Other services - BDO Audit Pty Ltd and related entities		
Grant funding audit	-	6,700
Other non-audit services*	2,475	24,905
Total Non-Audit Services	2,475	31,605
Total	95,616	120,247

*The non-audit services included the advice on the redemption of the convertible notes and whistleblowing services.

Note 40. Accounting Policies

New and Revised Accounting Standards and Interpretations

Adoption of new and revised accounting standards

The accounting policies adopted are consistent with those of the previous financial year except for changes arising from the adoption of the following new accounting pronouncements which came into effect in the current reporting period:

- AASB 2020-1 - Classification Of Liabilities As Current Or Non-Current
- AASB 2018-6 - Definition Of A Business
- Annual Improvements to IFRS Standards 2018–2020
- Interpretation 23 Uncertainty over Income Tax Treatments

These pronouncements did not have any impact on the amounts recognised in prior periods and are not expected to have a significant effect on the current or future periods.

Armour Energy Limited
Directors’ Declaration
30 June 2021

The Directors' of the Group declare that:

a) 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;
b) the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 2 to the financial statements;
c) the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
d) 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
Executive Chairman

30 September 2021

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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 2021, 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 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:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and

(ii) 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 (including Independence Standards)* (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.

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 17 in the financial report. The Group has significant oil and gas assets, which represent a major portion of total assets. Due to the quantum of this asset and the subjectivity involved in assessing the asset for impairment – especially as a result of the downturn in the oil and gas industry during the period due to COVID-19 - we have determined this is a key audit matter.	Our procedures included but were not limited to: • 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 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 • 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 16 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. During the year, the Group continued to focus on its Northern Australia gas exploration projects. The carrying value of the exploration and evaluation assets was a key audit mater due to the significance of the total balance in the statement of financial position and the level of procedures undertaken to evaluate managements application of the requirements of AASB 6 Exploration for the Evaluation of Mineral Resources in light of any indicators of impairment that may be present.	Our procedures included, but were not limited to the following: • Obtaining evidence that the Group has valid rights to explore in the areas represented by the capitalised exploration and evaluation expenditure by obtaining supporting documentation such as license agreements and also considering whether the Group maintains the tenements in good standing • Making enquiries of management with respect to the status of ongoing exploration programs in the respective areas of interest and assessing the Group's cash flow budget for the level of budgeted spend on exploration projects and held discussions with management of the Group as to their intentions and strategy. • Enquiring of management, reviewing ASX announcements and reviewing directors' minutes to ensure that the Group had not decided to discontinue activities in any applicable areas of interest and to assess whether there are any other facts or circumstances that existed to indicate impairment testing was required.

Other information

The directors are responsible for the other information. The other information comprises the information in the Annual report for the year ended 30 June 2021, but does not include the financial report and our 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 at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 47 to 58 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Armour Energy Limited, for the year ended 30 June 2021, 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

R M Swaby
Director

Brisbane, 30 September 2021

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 13 September 2021.

Distribution Schedules

AJQ – Armour Energy Limited fully paid ordinary shares

Range	Securities	%	No. of holders	%
100,001 and Over	1,594,025,685	97.3%	731	35.2%
50,001 to 100,000	22,168,522	1.4%	286	13.8%
10,001 to 50,000	19,412,152	1.2%	709	34.1%
5,001 to 10,000	1,508,301	0.1%	183	8.8%
1,001 to 5,000	335,620	-%	99	4.8%
1 to 1,000	11,166	-%	69	3.3%
Total	**1,637,461,446**	**100.0%**	**2,077**	**100.0%**
Unmarketable Parcels	3,402,043	0.2%	471	22.7%

Unlisted options exercisable at $0.0782 expiring 30 September 2023

Range	Securities	%	No. of holders	%
100,001 and Over	47,585,000	99.1%	38	86.4%
50,001 to 100,000	335,000	0.7%	4	9.1%
10,001 to 50,000	80,000	0.2%	2	4.6%
5,001 to 10,000	-	-%	-	-%
1,001 to 5,000	-	-%	-	-%
1 to 1,000	-	-%	-	-%
Total	**48,000,000**	**100.0%**	**44**	**100.0%**

Unlisted options exercisable at $0.05 expiring 29 February 2024

Range	Securities	%	No. of holders	%
100,001 and Over	2,000,000	100%	1	100%
50,001 to 100,000	-	-%	-	-%
10,001 to 50,000	-	-%	-	-%
5,001 to 10,000	-	-%	-	-%
1,001 to 5,000	-	-%	-	-%
1 to 1,000	-	-%	-	-%
Total	**2,000,000**	**100%**	**1**	**100%**

AJQOA – quoted options exercisable at $0.05 expiring 29 February 2024

Range	Securities	%	No. of holders	%
100,001 and Over	521,588,935	99.2%	190	55.1%
50,001 to 100,000	2,897,256	0.6%	37	10.7%
10,001 to 50,000	1,248,803	0.2%	41	11.9%
5,001 to 10,000	168,836	0.0%	22	6.4%
1,001 to 5,000	124,571	-%	43	12.5%
1 to 1,000	8,142	-%	12	3.5%
Total	**526,036,543**	**100.0%**	**345**	**100.0%**
Unmarketable Parcels	1,708,420	0.3%	121	35.1%

Substantial holders

The Company is aware of the following substantial holdings:

Name	Ordinary Shares – Number Held	Issued Capital %
DGR Global Limited (per notice received 9 July 2021)	313,171,246	19.4%
David Rooke (per notice received 16 October 2020)	66,127,375	11.2%
Tenstar Trading Limited (per notice received 23 September 2020)	65,759,455	6.1%
Mr Paul Cozzi (per notice received 23 July 2021)	97,154,036	6.0%

Twenty largest holders of each quoted class (as at 13 September 2021)

Ordinary Shares (AJQ)

Name	Number held	Issued capital %
DGR GLOBAL LIMITED	313,171,246	19.1%
ROOKHARP CAPITAL PTY LIMITED	121,279,122	7.4%
CITICORP NOMINEES PTY LIMITED	116,892,409	7.1%
MR PAUL COZZI	101,143,214	6.2%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	56,928,723	3.5%
ASLAN EQUITIES PTY LTD	56,560,290	3.5%
CHOICE INVESTMENTS DUBBO PTY LTD	32,720,702	2.0%
MR GRAEME ANDREW BEARDSLEY & OAKLEY MORAN TRUSTEE CPY LTD	22,000,000	1.3%
PMK PROPERTIES PTY LTD	19,000,000	1.2%
OILEX LTD	17,030,847	1.0%
MR TONY ADAMS	17,000,000	1.0%
MR SIMON WILLIAM TRITTON	15,012,608	0.9%
PINEMONT TECHNOLOGIES AUSTRALIA PTY LTD	14,080,216	0.9%
MR PETER MAROUN KAHWAJI	14,000,000	0.9%
RAPLON PTY LTD	13,208,381	0.8%
UBS NOMINEES PTY LTD	12,420,696	0.8%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	11,167,379	0.7%
STATION CAPITAL PTY LTD	10,807,453	0.7%
DR DENNIS RICHARD LOWE & MRS YVONNE LOWE	9,673,913	0.6%
HAYES INVESTMENTS CO PTY LTD	9,000,000	0.5%
Total of Twenty Largest Holders	**983,097,199**	**60%**
Total Shares Held	**1,637,461,446**	**100%**

Listed options (AJQOA)

Name	Number held	Issued Options %
DGR GLOBAL LIMITED	105,526,146	20.1%
BIZZELL CAPITAL PARTNERS PTY LTD	42,155,319	8.0%
ANTIBELLA PTY LTD	26,821,840	5.1%
ROOKHARP CAPITAL PTY LIMITED	22,751,704	4.3%
JLO ENTERPRISES PTY LTD	20,793,514	4.0%
MR TONY ADAMS	19,000,000	3.6%
CITICORP NOMINEES PTY LIMITED	18,622,516	3.5%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	14,496,170	2.8%
CS THIRD NOMINEES PTY LIMITED	11,726,565	2.2%
MR GRAEME ANDREW BEARDSLEY & OAKLEY MORAN TRUSTEE CPY LTD	10,000,000	1.9%
DR DENNIS RICHARD LOWE	9,832,773	1.9%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	8,671,229	1.6%
TENSTAR TRADING LIMITED	8,194,931	1.6%
SAMUEL HOLDINGS PTY LTD	7,538,602	1.4%
CHOICE INVESTMENTS DUBBO PTY LTD	7,142,857	1.4%
DR DENNIS RICHARD LOWE & MRS YVONNE LOWE	7,037,838	1.3%
BAM OPPORTUNITIES FUND PTY LTD	6,771,739	1.3%
MR PAUL COZZI	6,676,398	1.3%
UBS NOMINEES PTY LTD	6,533,753	1.2%
JETAN PTY LIMITED	5,776,398	1.1%
Total of Twenty Largest Holders	**366,070,292**	**70%**
Total Listed Options Held	**526,036,543**	**100%**

Voting Rights

All ordinary shares carry one vote per share without restriction.

Restricted securities

There are no restrictions over any security holdings as at 13 September 2021.

Corporate Directory

Directors	
Nicholas Mather	Executive Chairman
Stephen Bizzell	Non-Executive Director
Roland Sleeman	Independent Non-Executive Director
Eytan Uliel	Independent Non-Executive Director
Company Secretary	Karl Schlobohm
Registered Office / Principal Place of Business	Level 27 111 Eagle Street BRISBANE QLD 4000
Postal / Contact Address	GPO Box 5261 BRISBANE QLD 4001
Telephone	+61 7 3303 0620
Email	info@armourenergy.com.au
Share Registry	Link Market Services Limited Level 21 10 Eagle Street BRISBANE QLD 4000
Auditor	BDO Audit Pty Ltd Level 10 12 Creek Street BRISBANE QLD 4000
Solicitors	Hopgood Ganim Lawyers Level 21 Waterfront Place 1 Eagle Street BRISBANE QLD 4000
Stock exchange listing	ASX code: AJQ
Website	www.armourenergy.com.au

Corporate Governance Statement

Armour Energy Limited's latest Corporate Governance Statement can be found on our website at https://www.armourenergy.com.au/corporategovernance