# Half Year Report

For the year ended 31 December 2021

# Contents Page

# 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.

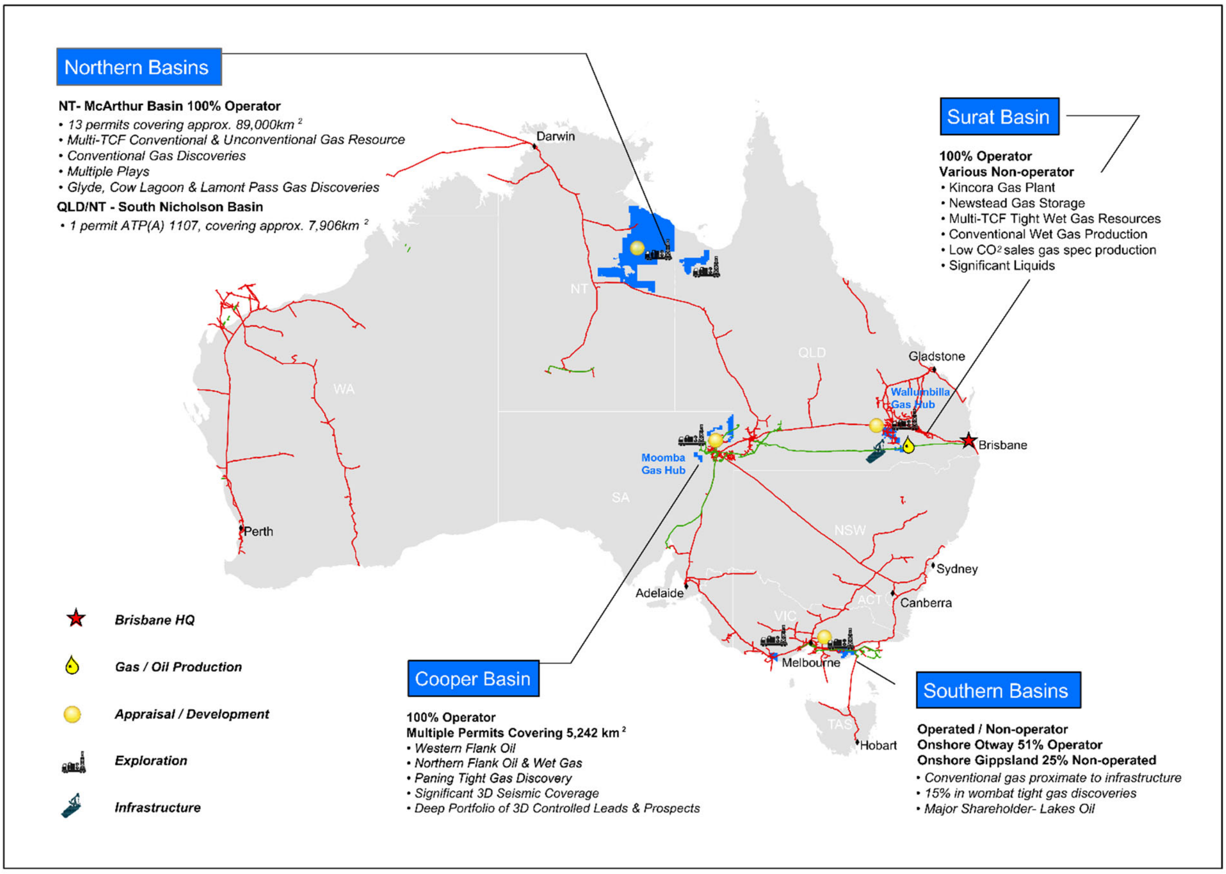



Figure 1 – Summary of Armour's assets and locations

## Key Points

- Armour received Noteholder approval for amendments to the Secured Amortising Notes required to facilitate the McArthur Oil and Gas Ltd demerger and IPO
- The Tribeca agreement was extended to mature 29 April 2022 with new terms for the settlement of the facility
- Two funding arrangements were entered into during the reporting period to fund Surat fracture stimulations at Myall Creek #02 and Warroon #01, with works beginning in January
- Indicative terms were Agreed with Gas2Grid to farm-in to Surat Basin acreage. The farm-in includes the acquisition of new 3D seismic, drilling of 3 new wells and fracture stimulation
- The McArthur pre-IPO redeemable exchangeable notes in McArthur NT raise has begun with $2.6 million raised during the reporting period

# Operating Review

## Surat Basin Assets

### HSE

Armour continues to maintain a strong safety culture. A zero TRFIR has been maintained since July 2020, with the business now over 580 days recordable incident free.

Building sustainability into Armour's safety culture is the next step in the journey. "Beyond Zero" has been rolled out through the field teams, the initiative focuses on encouraging proactive behaviours, interpreting and acting upon gathered safety data.

Last August, Armour safely executed a major shutdown of its facilities. This was completed with zero incidents or accidents, a great achievement.

### Operational Overview

Armour's Surat operations manages over 50 producing wells feeding the Kincora Gas Plant where we process the hydrocarbons into three key streams: Sales Gas which is sent to APA through Wallumbilla, where we split the gas between APLNG and domestic users, Liquid Condensate is separated then transported to Eromanga refinery; and finally Liquified Petroleum Gas which is distributed across Eastern Australia.

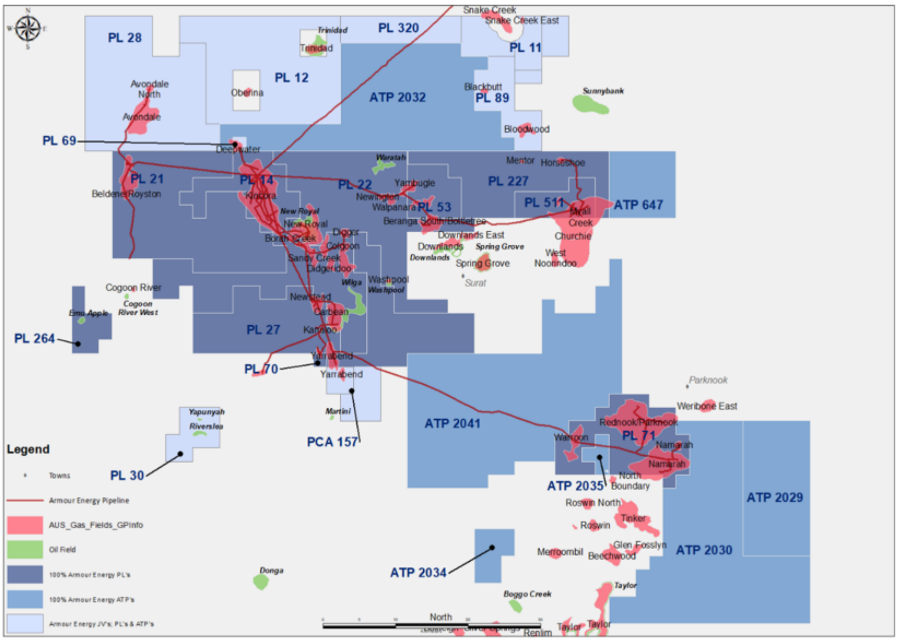



Figure 2 - Armour's Surat Tenement's and Infrastructure

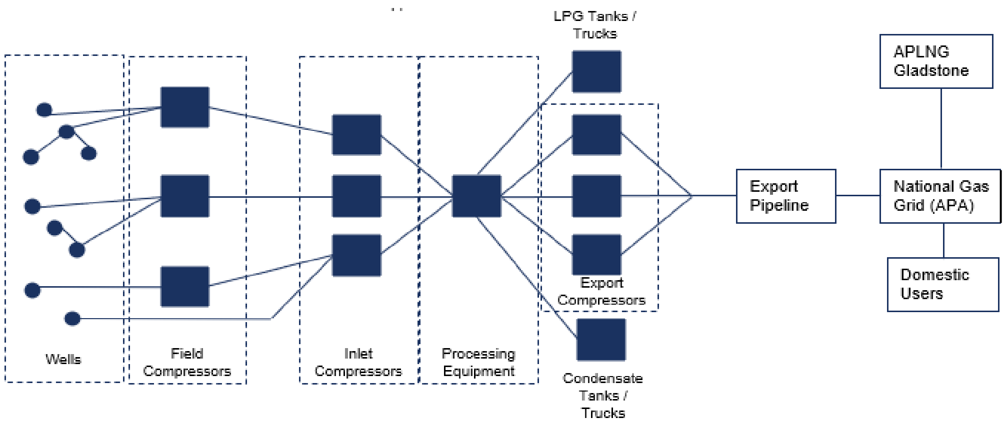



Figure 3 - Wells to Customer flow chart

## Asset Integrity

Armour is ensuring we maintain and manage the integrity of our assets and surrounding infrastructure through planned maintenance and inspections. Integrated Planning and Scheduling has recently been focusing on Process Safety and Integrity Management, which will work on safely extending the life and reliability of the facilities.

## Pipeline Management

Armour has over 450km's of steel pipeline to manage between PPL3 main export and the wellhead gathering network. As with any aging asset, ensuring integrity is maintained is the primary objective. Last year Armour successfully undertook an intelligent pig run of PPL3 to ensure any defects or anomalies were identified. Three minor anomalies were found and rectified.

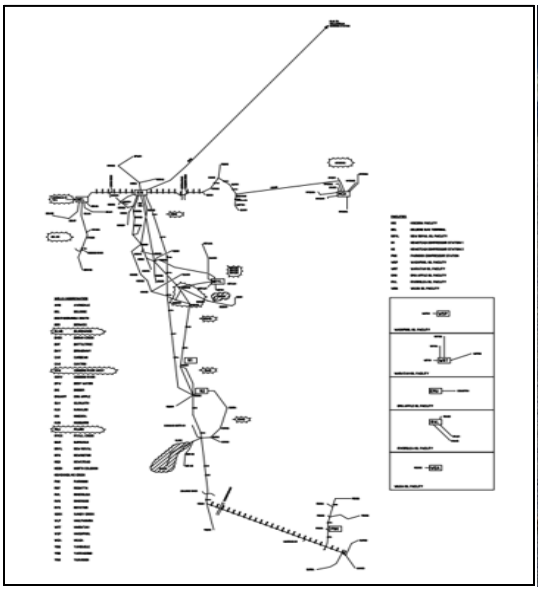


Figure 4 - Armour's Gathering Network

Figure 5 - Intelligent Pig

## Process Plant

As part of Armour's integrity assurance process, we undertook a major facility shutdown in August. The primary focus of this shutdown was inspection and recertification of pressure vessels, testing and calibration of Safety Critical Elements. No major anomalies or failures were identified and the team safely introduced gas two days ahead of schedule. Lessons learned have been embedded and will be used in the 2022 shutdown.

## Weather and Covid Challenges

The Armour Surat teams have had numerous challenges with significant weather events causing floods not seen in many years. Surat office and Kincora terminal were cut off for weeks from surrounding towns meaning a round trip of 6 plus hours.

From a business loss perspective, Armour suffered very little impact. The main challenges were logistics and safely accessing our well leases and gathering infrastructure isolated by flood waters.

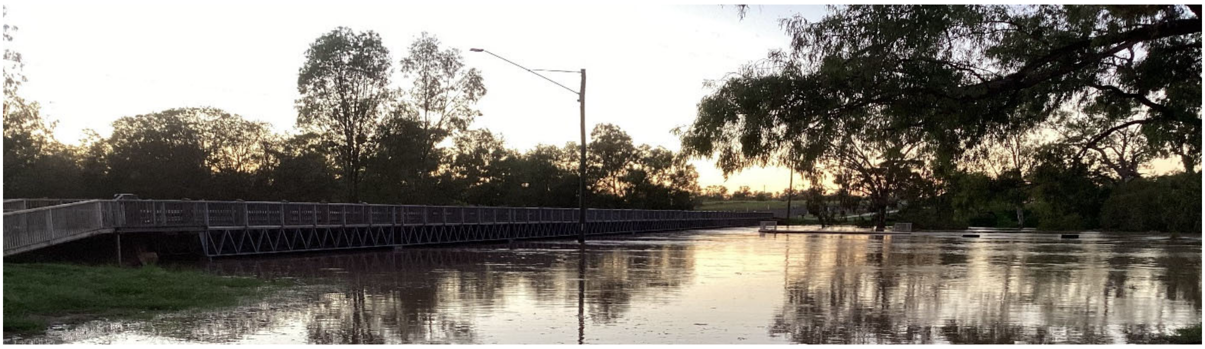


Figure 6 - Balonne River and Bridge

Figure 7 - Access to Kincora Terminal

Figure 8 - Main Road into Surat

The Surat teams also faced challenges with COVID 19 throughout the year. Close contact isolation and a couple of cases within the team impacted resources again affecting planned maintenance and operations.

Our one team approach through all of the challenges this year ensured the Armour team continually delivered safe and sustainable production.

## Production Enhancement Programme

During the June to December period, the development team continued to focus on near term fracture stimulation opportunities in existing well stock. Preparations were finalised for the Warroon #01 "re-frac" and Myall Creek #02 recompletion and Tinowon C perforation.

Initially fracture stimulated in November 2019, the Warroon #01 Rewan stimulation suffered technical difficulties resulting in a sub-optimal frac placement and poor well recovery. Information gathered during the frac, however, supported the initial assessment that the Basal Rewan was a compelling stimulation target. A "re-frac" plan was developed and with the support of a funding partner in *AL InvestorCo*, the well is scheduled to be re-frac'd in January 2022. The well is essentially frac ready with only some minor well intervention and re-perforation required prior to stimulation. Armour is free carried throughout the campaign for a 6 year (50%) revenue share of the incremental production uplift above the pre-frac base production.

Figure 9 – Warroon #01 well head facilities

Myall Creek #02 was the other main focus of the team during the period. Drilled in 1999, Myall Creek #02 was initially completed into the Tinowon A reservoir and successfully stimulated later in 2006. The lower Tinowon C zone, however, remains untapped having never been perforated. Logs confirm the presence of hydrocarbons and the reservoir is likely to be over-pressured virgin rock. The depleted Tinowon A zone will be isolated via straddle packers and a frac ready completion installed in parallel with the perforation of the Tinowon C reservoir. Armour has again engaged a funding partner in AL InvestorCo MC2 / Stonehorse Energy to fully fund the campaign in return for a 6 year (50%) revenue share of production. The funding agreement includes provision for a future frac of the Tinowon C as well as any other targets identified during PNX (Pulsed Neutron) logging of the well. This campaign is scheduled to commence in early January 2022.

Figure 10 - Myall Creek #02 well head facilities

Front end feasibility work also continued on other well stock across the field including Ogilvie Creek #01 and Myall Creek East #01 as potential near term stimulation targets. These wells are located east of the current Myall Creek development and share many of the same reservoir properties as proven successful frac wells like Myall Creek #5A. Identifying bypassed pay and low risk fracture stimulation opportunities amongst our existing well stock continues to be the primary focus of our reservoir and development teams.

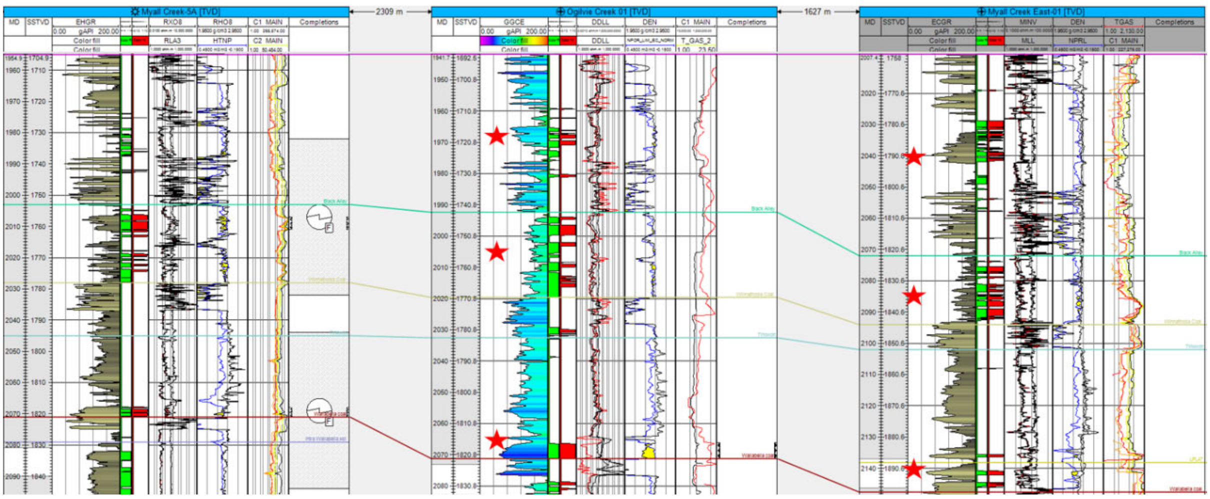


Figure 11Myall Creek Log Comparison and Potential Stimulation Candidates

Outside of fracs, the Company also continued to focus on enhancement of our existing production wells. Low-cost automation systems including plunger lift and intermitting flow units installed across 9 of our producing wells continue to improve production reliability and increase condensate production (refer example Carbean #01 below). The ongoing optimisation of these wells provides valuable insights into the front-end engineering work for the next phase of deployment. The company plans to install more intermitting units throughout Q1 and Q2 2022 as well as modifying the code logic on existing wells to support automatic cycling in late life.

In addition to the conventional late life liquid recovery techniques, the Company also continues to explore alternative innovative optimisation technologies including recycled gas lift and coil hose light well circulation with a range of vendors to help address pre-mature production decline.

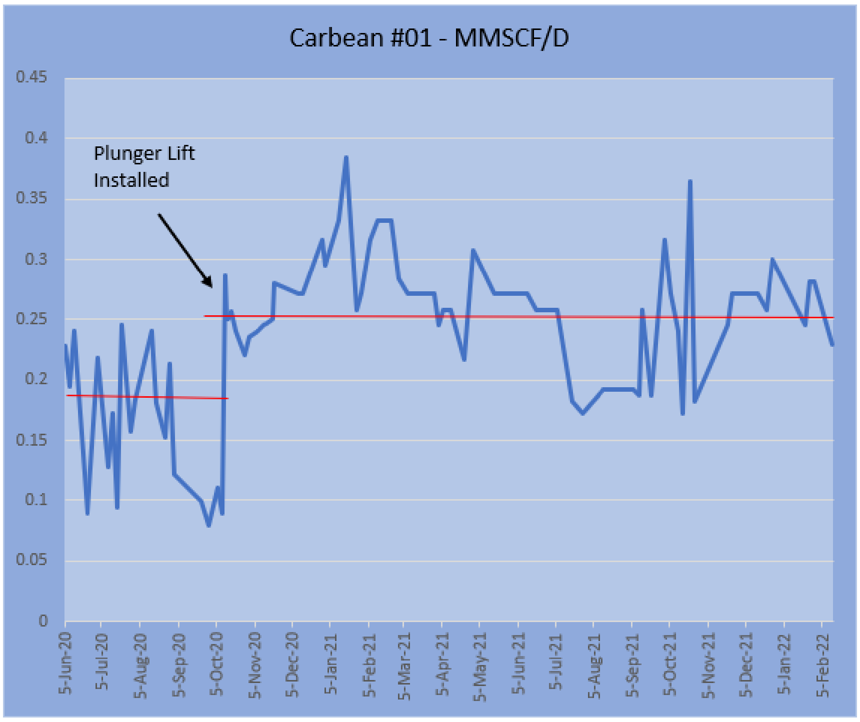



Figure 12 - Carbean #01 continues to provide over 25% uplift 15 months after install

**Surat Basin Exploration**

During the Reporting Period Armour continued to focus on developing a multi-year exploration program based on building a deep portfolio of exploration leads across its Surat Basin assets and maturing these to drill-ready prospects.

The exploration strategy is underpinned by extracting further value in existing areas with existing 3D coverage including Myall Creek Gas Field area as well as progressively acquiring new 3D seismic across priority areas defined by comprehensive remapping of legacy 2D seismic data across the Surat PL's.

New 3D seismic data will provide a superior understanding of the structural and stratigraphic complexities of the target areas, compared to the existing legacy 2D seismic, by utilising world class nodal technology, thereby unlocking the significant remaining prospectivity of the areas and providing numerous low-risk, highly economic drill ready prospects targeting both gas and oil. Proximity to Armour's infrastructure will provide rapid monetisation of discovered hydrocarbons.

Throughout the Reporting Period Armour progressed planning activities for 3D seismic acquisition in 2022 to de-risk drilling opportunities in the PL22, PL53, PL89, PL227, PL511 and ATP-2032P asset areas (Figure 13). The planning included an initial feasibility study followed by detailed design work, stakeholder engagement and work tendering. These plans have been accelerated following a farm-in arrangement with Gas2Grid (refer Commercial Section). The total 3D seismic area to be acquired will be approximately 400 km$^2$, larger than any 3D Seismic survey ever completed in the Surat Basin and represents the first seismic acquisition in the project area in 25 years.

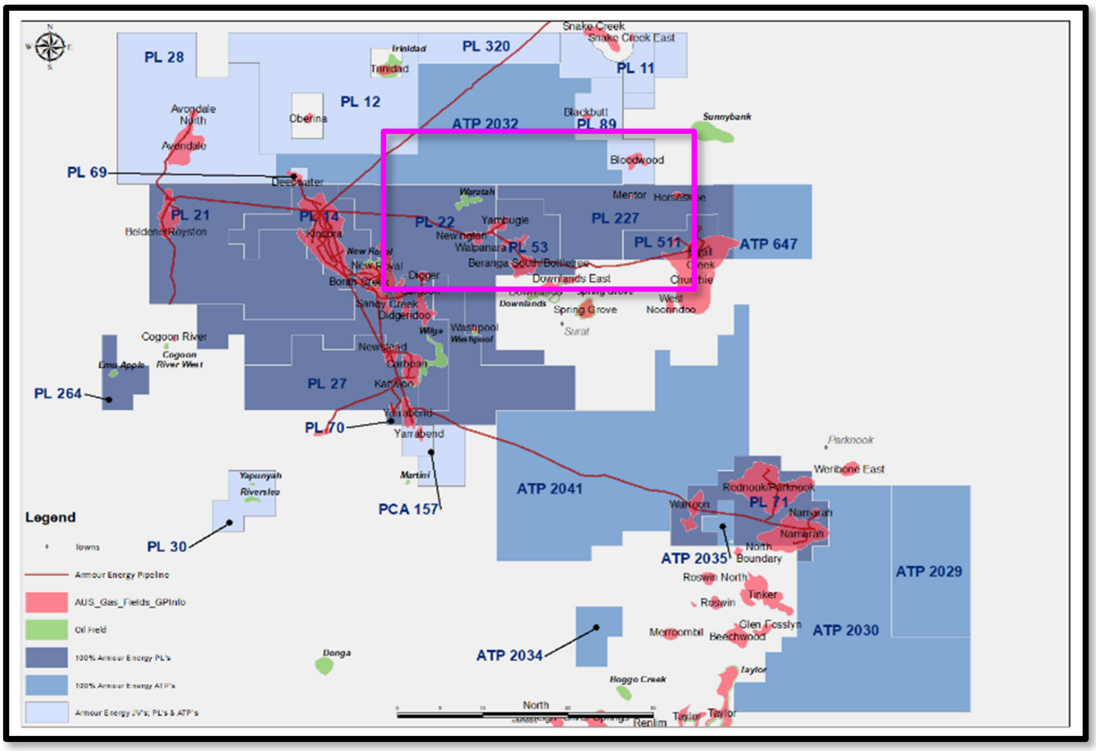


Figure 13 – 2022 3D Seismic Acquisition Focus Area

Geophysical attribute analysis of the Myall Creek 3D seismic identified an anomaly north east of the Myall Creek field (Figure 14) which has been one of the most prolific fields within Armour's Surat acreage. Armour was sufficiently encouraged to proceed with testing feasibility of detailed inversion processing of the Myall Creek 3D seismic dataset, with the key objective to delineate reservoir facies distribution within the Tinowon Formation across the area. Results of the feasibility work are currently being analysed with a view to proceeding to production inversion processing of the full 3D seismic volume in Q1 2022. Interpretation of the inversion dataset is anticipated to lead to identifying further drilling opportunities across the Myall Creek area for potential drilling in Q3/Q4 2022.

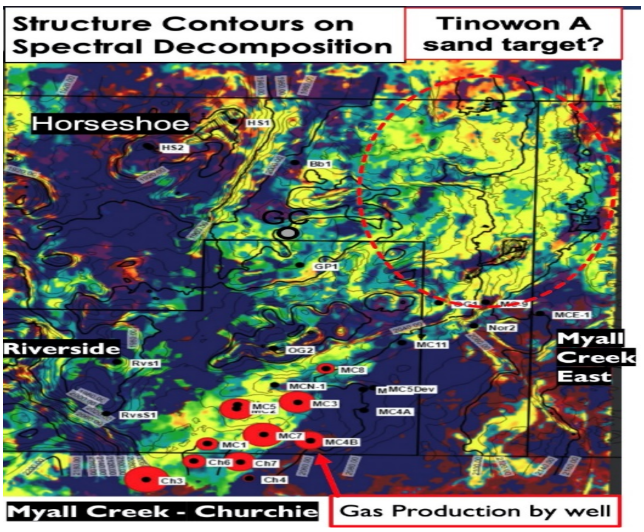



Figure 14 - Structure Contours on Spectral Decomposition

In addition, advanced wireline logging and petrophysical re-evaluation of the Myall Creek and Riverside gas fields indicates significant bypassed pay in the Permian and Triassic reservoirs within existing wellbores in these fields. Structurally high locations within the greater Riverside field identified on 3D seismic also provide attractive appraisal/development opportunities (Figure 15). Technical workflows have been maturing these opportunities, with follow-up drill and fracture stimulation operations planned for 2022.

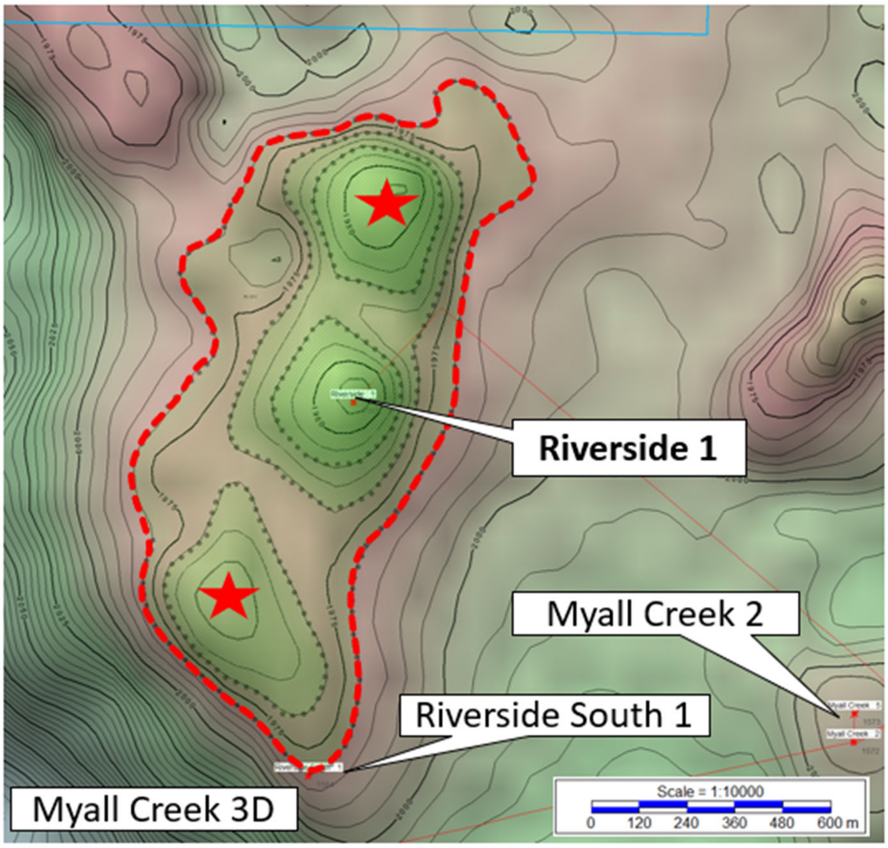



Figure 15 – Riverside Gas Field – Drilling Opportunities

Armour has also continued to review the CSG potential of ATP 2032, focused on the Paradise Creek area where Walloon coals occur at potentially economic depths, in low relief structuring. This work will lead to understanding the in-place gas resource in the permit.

## 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 Quarter the Company continued to mature its technical knowledge on the Cooper basin's Western Flank and the Armour asset set consisting of 27 Petroleum Retention Licences (PRLs), 2 Exploration Licences (PELs) and 1 Exploration Licence Application (PELA). A number of integrated approaches are being followed including the planning and preparation for an airborne passive electromagnetic survey to investigate the location of upward fluid movements associated with hydrocarbon migration, specialist 3D seismic evaluation tools focussed on identifying stratigraphic trapping potential, basin analysis and charge modelling. These approaches combine rapid, low-cost field reconnaissance with in-depth desk studies and have the aim of developing a portfolio of prospects and leads suitable for evaluation by later drilling.

The work undertaken to date identifies a likely extension of the Western Flank prospectivity into the Company's licenses.

In other activities the Company has participated in meetings with the South Australian Department for Energy and Mining and other basin operators and in discussions with parties interested in farming into the opportunity.

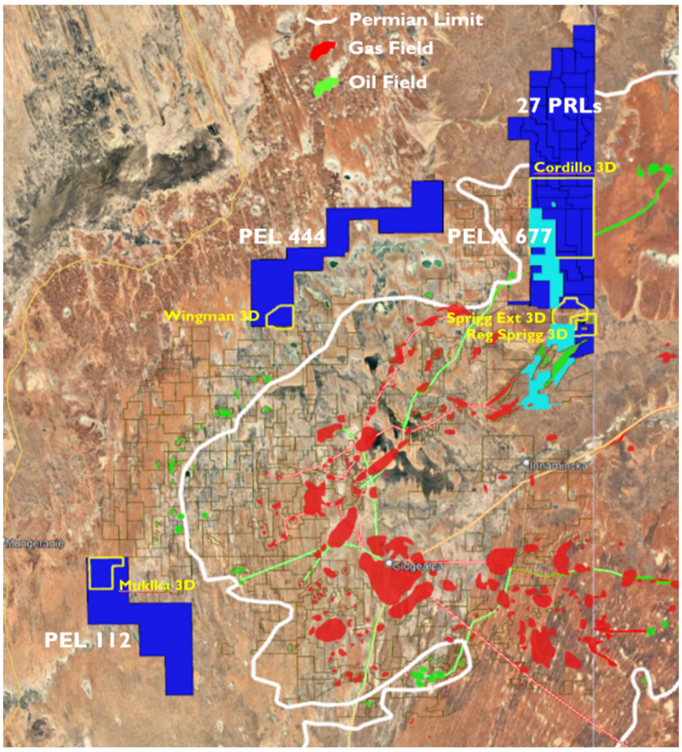



Figure 16 – Armours Cooper Basin Tenements

## Northern Basin Business

As previously announced, Armour proposes to demerge its Northern Basin Business, which comprises 13 permits and covers approximately 97,000 km2, to McArthur Oil and Gas Limited (McArthur).

Through an IPO, McArthur Oil and Gas will seek to raise funding to fund both the consideration for the Northern Basin Business from Armour together with McArthur's future work program. Armour undertook the airborne survey on behalf of McArthur in advance of the proposed demerger and IPO of McArthur. See Corporate Activities for an update to the demerger and IPO.

The survey is aimed to assist McArthur with high grading identified prospects and leads and will help form the basis for planning future work programs once McArthur is listed. The airborne survey is the largest private enterprise survey of its type to be undertaken in the Northern Territory. The non-invasive survey was completed ahead of schedule, within budget and with very low environmental impact.

Armour completed the acquisition of airborne geophysical data over a substantial portion of six Northern Territory permits, EPs 171, 174, 176, 190, 191and 192 (covering an area of approximately 20,000 km²). These permits cover the highly prospective Batten Fault Zone and several oil and gas play fairways, including the proven Coxco Dolomite Play (Glyde gas discovery), which encompass 193 conventional prospects and leads within McArthur and Tawallah Group reservoirs identified by previous exploration work.

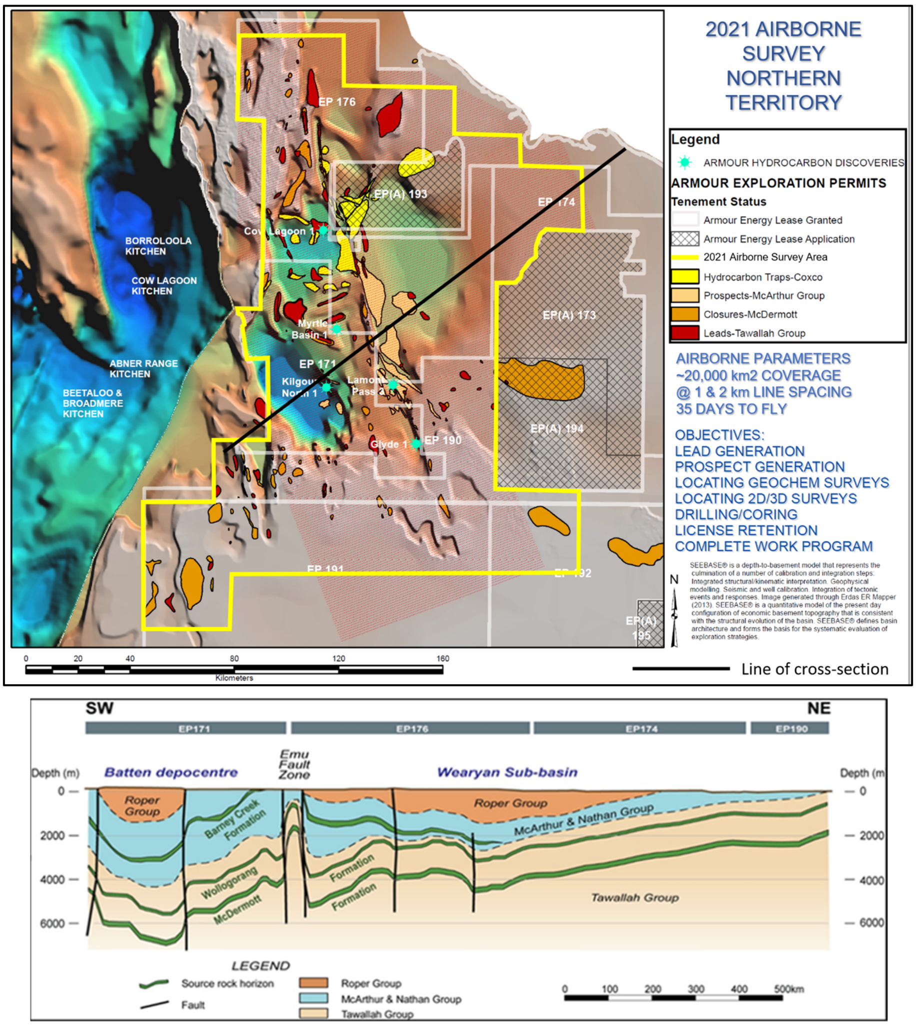


Figure 17- Northern Territory McArthur Basin Airborne Coverage Map and Cross-Section

## 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.

With the force majeure having been rescinded, the exploration activity recommenced in September 2021. Teclab Limited were engaged to conduct the 2D seismic survey of the Kanywataba acreage.

## Commercial and Corporate Activities

### *Funding Partners*

The Company entered into two Funding arrangements during the six months ending 31 December 2021. A private entity, unrelated to the Company, funded 100% of the capital towards a fracture stimulation of the Warroon #01 well which occurred in January. In addition, the same private entity and ASX-listed Stonehorse Energy are jointly funding activity on the Myall Creek #02 well. The initial activity on Myall Creek #02 occurred in January 2022, including a perforation of the Tinowon-C and preparing the wellbore for fracture stimulation which is targeted for April 2022.

Armour's Surat Basin acreage has many existing wellbores like Warroon #01 and Myall Creek #02 with production enhancement opportunities. There are formations which were historically bypassed but now appear attractive with modern technologies. In addition, there are formations with lower permeability which are good candidates for fracture stimulation. The Company continues to define and rank these production enhancement opportunities. We will continue to see partners to fund these opportunities.

### *Farm-in Agreements*

Armour agreed indicative terms during the six months ending 31 December 2021 with Gas2Grid (ASX: GGX) to farm-in to 519 $km^2$ of Surat basin acreage. Subject to binding documentation, Gas2Grid's total investment will be in excess of $12 million, including the drilling of 3 new wells, fracture stimulation, and funding 100$km^2$ of new 3D seismic. Upon completion of the funding obligations, Gas2Grid will earn a 50% interest in the Riverside and Myall-Bainbilla blocks. In partnership with Gas2Grid, Armour intends to acquire a total of ~400 $km^2$ of new 3D seismic, larger than any 3D Seismic survey ever completed in the Surat Basin. Armour and Gas2Grid have been working towards completion of a binding Farmin Deed and associated documentation, and we anticipate execution in February 2022.

### *Demerger and Listing of Northern Basin Business*

The Northern Basin Business demerger and IPO is progressing with a pre-IPO raise by way of Redeemable Exchangeable Notes (Notes) which is underway, an amount of $2.6 million was raised during the reporting period. The Redeemable Exchangeable Notes are unsecured and fully subordinated to the Secured Amortising Notes and Tribeca Facility. The Notes will convert to McArthur shares upon IPO. This pre-IPO raise will allow McArthur to commence pre IPO work programme and fund the consideration for the Northern Basin Business from Armour.

The demerger structure has been revised to improve taxation efficiency and will incorporate the issue of McArthur pre IPO Redeemable Exchange Notes, an In Specie Distribution Shares to Armour Shareholders and McArthur IPO shares issued at the time of IPO. The IPO structure will enable McArthur to raise funding to further the North Territory work program and fund the transfer of the demerger assets from Armour which will include utilising proceeds of pre-IPO Redeemable Exchange Notes funding to retire remaining outstanding Armour Senior Secured debt.

In preparation for the proposed demerger and separate ASX listing of the Northern Basin Assets, Armour has undergone a restructuring exercise to transfer the Northern Territory Exploration Permits (EP) into a newly established subsidiary, McArthur NT Pty Ltd (MNT). There are 6 granted permits and 7 permit applications which covers almost 90,000km2.

Morgans Corporate Limited (Morgans) has been appointed as Lead Manager for the McArthur IPO and will work alongside Armour's Corporate Advisors, Bizzell Capital Partners Pty Ltd (associated with Armour Energy Director, Stephen Bizzell) and JB Advisory Partners Pty Ltd who will also play a valuable role in supporting the IPO raising. In addition to the appointment of a Lead Manager, other IPO work streams continue to be progressed with Fluid Energy Consultants, who are acting as independent experts for the geological reporting for the IPO, currently progressing the Independent Geologist's Report required for the IPO Prospectus as well as the legal and accounting due diligence workstreams that continue to be advanced.

The proposed Board and Management team of McArthur was announced in August 2021. The team brings a wealth of experience across the resources industry, particularly within the petroleum sector. The McArthur team has an established track record in the Northern Territory and McArthur Basin developing businesses, delivering exploration programmes and establishing a social license to operate with all Governmental, landholder and traditional owner stakeholders. See the ASX announcement, which includes a proposed demerger briefing, on 9 August 2021 for biographies.

### *Capital Raising*

As announced on 23 September 2021, Armour completed a $8,200,000 capital raise program. For every three new shares issued under the placement and conditional 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.

The funds raised together with existing funds will be used for the purposes of:

- Transaction costs associated with progressing the proposed Northern Basin Business demerger and IPO of McArthur Oil and Gas (McArthur);
- Costs associated with progressing the planning and approvals required to undertake the proposed 2022 work programs on the Northern Basin projects;
- Ongoing expenditures related to retention of exploration areas of interest, holding tenures in good standing and compliance across all Armour's areas of interest, including the Northern Basin;
- Kincora Gas Processing Plant production assurance and pipeline maintenance capital;
- Costs associated with securing a remediation outcome in relation to the 2020 work program;
- Payment of interest and scheduled principal amortisation payments in respect of the Company's Amortising Notes; and
- General working capital requirements, outstanding trade creditor payments and costs of the Offer.

### *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.

In the pursuit of paying down debt, the Company has reduced the Secured Amortising Notes Facility balance outstanding to $29,317,200, which includes accelerated payments of $11,382,800. Had payments been made in accordance with the original amortisation schedule the balance would be $40,700,000.

In July Armour received Noteholder consent for the following amendments to the Conditions of the Notes:

1. to permit the corporate restructure, demerger and IPO of McArthur in respect of the Northern Basin Assets transaction;
2. to permit Financial Indebtedness to be incurred of up to $10,000,000 through the issue of either redeemable exchangeable notes or convertible notes which are unsecured and subordinate to the Notes (in either case, the exchange or conversion of such notes into McArthur shares will be conditional upon any necessary Armour shareholder approvals being obtained);
3. to permit the disposal of the Northern Basin Assets and McArthur and McArthur NT that arises pursuant to the demerger and IPO;
4. to permit Armour to complete the in-specie distribution to Armour shareholders;
5. to facilitate the staged release of security over the assets; and
6. in respect of the creation of two new Escrow Accounts to be held on trust by the Notes Trustee for the benefit of Noteholders.

These amendments provide Armour the runway required to execute the proposed McArthur Oil and 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. Armour will engage with Noteholders going forward as the McArthur Oil and Gas demerger and IPO is realised.

### *Tribeca facility*

The Tribeca facility has been extended to mature on 29 April 2022 with updated terms enabling Armour to extinguish the debt through a new equity-based settlement mechanism. Subject to the receipt of all necessary shareholder and regulatory approvals two arm's length third party special purpose vehicles are to be incorporated to hold new Armour shares and listed options for sale. The proceeds from the sale of these shares and options will then be used to paydown the outstanding Tribeca facility Principal and Interest. A Shareholder Meeting will be held on 4 April 2022 to consider the Tribeca Facility settlement resolutions in the Company's pursuit to paying down debt.

### *Management Team Updates*

The management team continue to focus on strengthening and growing the Armour business.

Craig Gouws joined Armour as the Chief Financial Officer in December 2021. Craig is a highly experienced finance professional with over 20 years of international experience.

Most recently as Chief Financial Officer of Warrah Society in Sydney, Craig has a depth of experience including the resources sector. He was previously CFO for InfraStrata plc, a UK listed gas storage and hydrocarbon exploration company as well as experience at Carbon Energy Limited and in energy consulting roles.

Craig played a major role in the Egdon Resources plc, an onshore UK oil and gas exploration and production business, and Portland gas storage asset demerger and consequent listing of Infrastrata plc on the Alternative Investment Market of the London Stock Exchange. Craig commenced his career in various audit roles across South Africa, Saudi Arabia and London.

# 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 half-year ended 31 December 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.

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

## 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 |

## Company Secretary

Mr Karl Schlobohm was Armour's Company Secretary through to 13 January 2022.

Ms Natalie Climo is Armour's current Company Secretary. Ms Climo is an employee of Boardroom Pty Limited, who are engaged as the Company's Corporate Secretarial provider.

## 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.

## Events after the Reporting Date

Other than the below subsequent events, no other matter or circumstance has arisen since 31 December 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 at 31 December 2021Armour Energy held 2,125,000,000 ordinary shares in Lakes Blue Energy NL (LKO) and 576,487,727 secured convertible notes. As at the date of reporting these shares were suspended from trading on the Australia Stock Exchange (ASX). On 7th February LKO met the pre-conditions and the suspension of trading was lifted, the Company was then reinstated to official quotation on the ASX.
- On 29 December 2021, Armour entered into an amendment agreement, with Tribeca, to the Tribeca Facility to provide for a further term extension and facilitate the repayment of the Tribeca Facility by way of an equity settlement arrangement. The 29 December 2021 amendment agreement was further amended during February 2022. Armour will issue 290,000,000 ordinary shares and 48,333,333 options to two unrelated special purpose vehicles to on sell and remit the proceeds of sale to Armour. Armour will be mandated to apply these proceeds to paying down the Tribeca Facility Principal and Interest. A Shareholder Meeting will be held on 4 April 2022 to consider and, if thought fit, to pass as the related resolutions approving the arrangements.

## 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.

# Director's Report

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**
16 March 2022

# Auditor's Independence Declaration

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
**www.bdo.com.au**

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

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

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

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

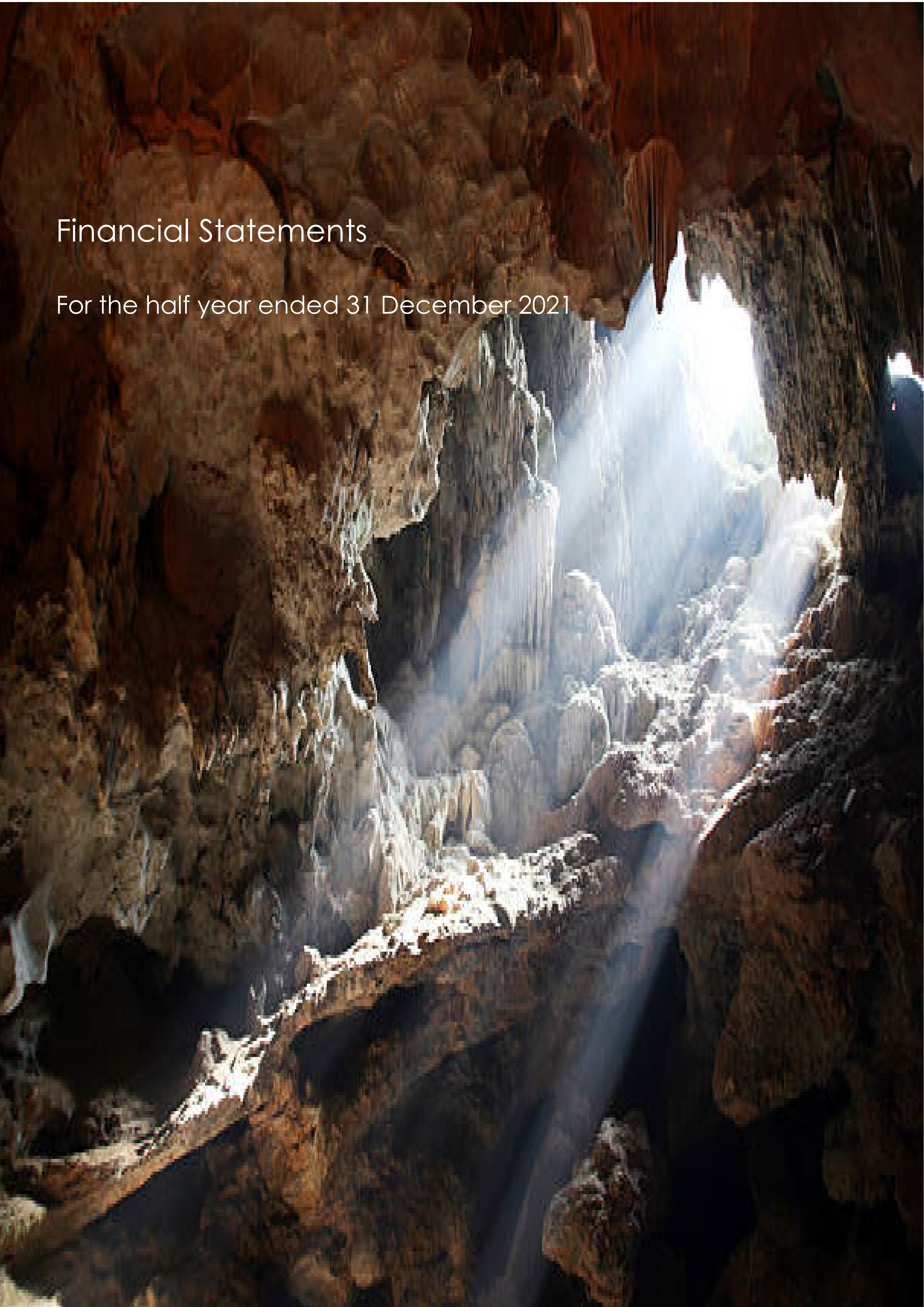
**R M Swaby**
Director

**BDO Audit Pty Ltd**

Brisbane, 16 March 2022

# Financial Statements

For the half year ended 31 December 2021



# Consolidated Statement of Profit or Loss and Other Comprehensive Income

| | | Consolidated | |
|---|---|---|---|
| | | 31 December 2021 | 31 December 2020 |
| | Note | $'000 | $'000 |
| **Revenue** | | | |
| Revenue from contracts with customers | 5 | 9,155 | 8,504 |
| Cost of goods sold | 6 | (9,432) | (10,346) |
| **Gross loss** | | **(277)** | **(1,842)** |
| Net (loss)/gain on sale of assets | | (35) | 15,985 |
| Other income | | 1 | 602 |
| Interest revenue | | 6 | 62 |
| **Expenses** | | | |
| Finance costs | | (2,635) | (3,271) |
| General and administrative expenses | 6 | (2,243) | (2,575) |
| Share-based payments | 6 | (416) | (165) |
| **(Loss)/profit before income tax expense** | | **(5,599)** | **8,796** |
| Income tax expense | | - | (257) |
| **(Loss)/ profit after income tax expense for the reporting period attributable to the owners of Armour Energy Limited** | | **(5,599)** | **8,539** |
| **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 | | - | - |
| Income tax on items that will not be reclassified to profit or loss | | - | - |
| Other comprehensive income for the reporting period, net of tax | | - | - |
| **Total comprehensive (loss)/ profit for the reporting period attributable to the owners of Armour Energy Limited** | | **(5,599)** | **8,539** |
| | | **Cents** | **Cents** |
| Basic loss per share | 7 | (0.3) | 0.9 |
| Diluted loss per share | 7 | (0.3) | 0.9 |



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

# Consolidated Statement of Financial Position

| | Note | Consolidated<br>31 December 2021<br>$'000 | 30 June 2021<br>$'000 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | 4,585 | 2,358 |
| Trade and other receivables | 8 | 1,713 | 2,104 |
| Inventories | 9 | 2,191 | 2,097 |
| Other current assets | 10 | 1,395 | 876 |
| **Total current assets** | | 9,884 | 7,435 |
| | | | |
| **Non-current assets** | | | |
| Intangibles | | 316 | 230 |
| Exploration and evaluation assets | 11 | 34,921 | 32,013 |
| Oil and gas assets | 12 | 52,580 | 52,763 |
| Other financial assets | 13 | 10,496 | 10,778 |
| Right-of-use assets | 14 | 1,182 | 1,361 |
| Property, plant and equipment | | 238 | 36 |
| **Total non-current assets** | | 99,733 | 97,181 |
| **Total assets** | | **109,617** | **104,616** |
| | | | |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 15 | 9,609 | 9,056 |
| Lease liabilities | 16 | 194 | 369 |
| Employee benefits | 17 | 464 | 497 |
| Borrowings | 18 | 17,013 | 13,620 |
| **Total current liabilities** | | 27,280 | 23,542 |
| | | | |
| **Non-current liabilities** | | | |
| Borrowings | 19 | 19,162 | 23,877 |
| Lease liabilities | 16 | 982 | 964 |
| Employee benefits | 17 | 38 | 32 |
| Provision for restoration and abandonment | 20 | 6,688 | 6,688 |
| **Total non-current liabilities** | | 26,870 | 31,561 |
| **Total liabilities** | | **54,150** | **55,103** |
| | | | |
| **Net assets** | | **55,467** | **49,513** |
| | | | |
| **Equity** | | | |
| Issued Capital | 21 | 145,324 | 133,771 |
| Reserves | 22 | 1,917 | 1,917 |
| Accumulated Losses | | (91,774) | (86,175) |
| **Total equity** | | **55,467** | **49,513** |



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

# Consolidated Statement of Cashflows

| | Note | Consolidated 31 December 2021 $'000 | Consolidated 31 December 2020 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | 10,418 | 9,436 |
| Payments to suppliers and employees (inclusive of GST) | | (11,222) | (12,698) |
| Interest received | | 3 | 98 |
| Interest paid on lease liability | | (57) | (20) |
| Other Interest paid | | (1,699) | (2,408) |
| Government grants | | - | 452 |
| **Net cash used in operating activities** | | **(2,557)** | **(5,140)** |
| | | | |
| **Cash flows from investing activities** | | | |
| Refund/(payments) for security deposits | | 272 | (461) |
| Payments for property, plant, and equipment | | (88) | (21) |
| Proceeds from funding partners | | 1,168 | - |
| Payments for oil and gas assets | | (1,048) | (6,153) |
| Payments for exploration and evaluation assets | | (1,957) | (545) |
| Proceeds from sale of exploration assets | | - | 12,500 |
| Payments for acquisition of exploration and evaluation assets | | - | (187) |
| **Net cash from investing activities** | | **(1,653)** | **5,133** |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | | 8,944 | 10,239 |
| Proceeds from issue of notes | | 2,640 | - |
| Payment of principal portion of lease liability | | (119) | (121) |
| Repayment of borrowings | | (4,400) | (7,500) |
| Transaction costs on the issue of shares | | (628) | (41) |
| **Net cash from financing activities** | | **6,437** | **2,577** |
| | | | |
| Net increase/(decrease) in cash and cash equivalents | | 2,227 | 2,570 |
| Cash and cash equivalents at the beginning of the reporting period | | 2,358 | 3,246 |
| **Cash and cash equivalents at the end of the reporting period** | | **4,585** | **5,816** |



The above consolidated statement of cashflows 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 2021 | 133,771 | 1,917 | (86,175) | 49,513 |
| Loss after income tax expense | - | - | (5,599) | (5,599) |
| Other comprehensive income, net of tax | - | - | - | - |
| Total comprehensive income | - | - | (5,599) | (5,599) |
| *Transactions with owners in their capacity as owners:* | | | | |
| Shares issued during the year | 11,015 | - | - | 11,015 |
| Share issue costs | (546) | - | - | (546) |
| Share-based payments | 1,084 | - | - | 1,084 |
| **Balance at 31 December 2021** | **145,324** | **1,917** | **(91,774)** | **55,467** |

| Consolidated | Issued capital $'000 | Reserves $'000 | Accumulated losses $'000 | Total equity $'000 |
|---|---|---|---|---|
| Balance at 1 July 2020 | 114,311 | 2,446 | (74,584) | 42,173 |
| Loss after income tax expense | - | - | 8,539 | 8,539 |
| Other comprehensive income, net of tax | - | - | - | - |
| Total comprehensive income | - | - | 8,539 | 8,539 |
| *Transactions with owners in their capacity as owners:* | | | | |
| Shares issued during the year | 11,560 | - | - | 11,560 |
| Share issue costs | (803) | - | - | (803) |
| Recognition of deferred tax assets relating to share issue costs | 257 | - | - | 257 |
| Share-based payments | 145 | 20 | - | 165 |
| **Balance at 31 December 2020** | **125,470** | **2,466** | **(66,045)** | **61,891** |



The above consolidated statement of changes in equity 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 16 March 2022. The Directors have the power to amend and reissue the financial statements.

## Note 2. Significant accounting policies

These general-purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general-purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

These policies have been consistently applied to all the years presented, unless otherwise stated.

**Critical accounting estimates**

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

Refer to Note 23 for new and revised accounting standards during the interim reporting period.

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only.

## Note 3. 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 production during the last six-months, which resulted in $9,155,000 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 and nearby areas.

For the half-year ended 31 December 2021, the Group generated a consolidated net loss before tax of $5,599,000 and incurred operating cash outflows of $2,557,000. As at 31 December 2021, the Group had cash and cash equivalents of $4,585,000, net current liability of $17,396,000 and net assets of $55,467,000.

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 in December 2021 raised $8,200,000 through a private placement. The raise comprised of $6,600,000 of new shares and $1,600,000 of conditional placement. Shareholder approval was necessary for the settlement of the conditional placement amounts, which was received at the AGM held on 25 November 2021. These funds were also used for general working capital purposes and to provide some flexibility in treasury management.

*Redeemable Exchangeable Notes*

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 and Gas Limited shares upon IPO. As at 31 December 2021 $2.6m had been raised of the $10m facility.

This pre-IPO raise will allow McArthur Oil and Gas to commence early planned works and enable the Company to focus on the demerger of the Northern Basin business.

Development Expenditure

During the six-months, the Group entered into two Funding arrangements, which allowed Armour to focus on production enhancement opportunities in the Surat Basin, the first of which commenced in early January 2022.

Armour have also agreed indicative terms in this reporting period with a farm-in partner to acquire ~400km$^2$ of new 3D seismic, larger than any 3D Seismic survey ever completed in the Surat Basin. The binding Farm-in Deed and associated documentation is expected to be executed in March 2022.

Interest has been strong from potential partners to join Armour in 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 and Gas.
2. The Company is in the process of raising further pre-IPO funds through redeemable exchangeable 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. Seeking further opportunities to settle liabilities through an issuance of equity instead of cash.
    c. Reducing its level of capital expenditure through farm-outs and/or joint ventures.
    d. Managing its working capital expenditure.
    e. Applying for eligible Research and Development tax refund receipts, and other Government incentives; and
    f. 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 4. Operating segments

**Identification of reportable operating segments**

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

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

For the half year ended 31 December 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 31 December 2021 approximately 56% (2020: 55%) 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 | | Oil and Gas | | Corporate | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 31-Dec-21 | 31-Dec-20 | 31-Dec-21 | 31-Dec-20 | 31-Dec-21 | 31-Dec-20 | 31-Dec-21 | 31-Dec-20 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Revenue** | | | | | | | | |
| Revenue from contracts with customers | - | - | 9,155 | 8,504 | - | - | 9,155 | 8,504 |
| Total segment revenue | - | - | 9,155 | 8,504 | - | - | 9,155 | 8,504 |
| **EBITDA** | - | (23) | 1,166 | 499 | (2,551) | (2,435) | (1,385) | (1,959) |
| Depreciation and amortisation | - | - | (1,539) | (1,990) | (11) | (32) | (1,550) | (2,022) |
| Gain/(Loss) on disposal of assets | (15) | 15,986 | (19) | | - | | (35) | 15,986 |
| Interest revenue | - | | 2 | 61 | 4 | 1 | 6 | 62 |
| Finance costs | - | - | (889) | (962) | (1,746) | (2,309) | (2,635) | (3,271) |
| **Loss before income tax expense** | (15) | 15,963 | (1,279) | (2,392) | (4,304) | (4,775) | (5,599) | 8,796 |
| Income tax expense | | | | | | | - | (257) |
| **Loss after income tax expense** | | | | | | | (5,599) | 8,539 |

| | EEA | | Oil and Gas | | Corporate | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 31-Dec-21 | 30-Jun-21 | 31-Dec-21 | 30-Jun-21 | 31-Dec-21 | 30-Jun-21 | 31-Dec-21 | 30-Jun-21 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Assets** | | | | | | | | |
| Segment assets | 37,074 | 33,802 | 66,759 | 67,230 | - | - | 103,833 | 101,032 |
| Unallocated assets | | | | | | | 5,783 | 3,584 |
| **Total assets** | | | | | | | 109,616 | 104,616 |
| **Liabilities** | | | | | | | | |
| Segment liabilities | - | - | 20,248 | 19,022 | - | - | 20,248 | 19,022 |
| Unallocated liabilities | | | | | | | 33,686 | 36,081 |
| **Total liabilities** | | | | | | | 53,934 | 55,103 |

The 2020 gain on disposal of assets includes the sale of Armour's interest in Murrungama and the South Nicholson Basin.

## Note 5. 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 | |
|---|---|---|
| | 31 December 2021 | 31 December 2020 |
| | $'000 | $'000 |
| **Revenue from contracts with customers** | | |
| Gas | 6,046 | 6,547 |
| LPG | 1,311 | 714 |
| Oil and Condensate | 1,798 | 1,243 |
| | **9,155** | **8,504** |

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.

## Note 6. Expenses

| | Consolidated | |
|---|---|---|
| | 31 December 2021 | 31 December 2020 |
| | **$'000** | **$'000** |
| Loss before income tax includes the following: | | |
| **Cost of goods sold** | | |
| Operating expenses | 5,300 | 5,751 |
| Employment costs | 2,597 | 2,605 |
| Oil and gas properties depreciation | 1,539 | 1,990 |
| Total cost of goods sold | 9,436 | 10,346 |
| | | |
| **General and administrative expenses** | | |
| Employee expenses not included in operating expenses | 1,183 | 1,292 |
| Management fee | 228 | 228 |
| Consultancy and legal costs | 159 | 298 |
| Insurance not included in Cost of goods sold | 95 | 140 |
| Director fees | 164 | 160 |
| Depreciation and amortisation: | | |
| - Office equipment | 11 | 6 |
| - Amortisation of intangibles | 28 | 25 |
| Other expenses | 375 | 426 |
| | | |
| Total general and administrative expenses | 2,243 | 2,575 |
| | | |
| Share-based payments | 416 | 165 |
| | | |
| Total superannuation expense (included in costs of goods sold and general and administrative expenses) | 330 | 445 |

## Note 7. Earnings per share

| | Consolidated | |
|---|---|---|
| | **31 December 2021** | **31 December 2020** |
| | $'000 | $'000 |
| (Loss)/profit after income tax attributable to the owners of the parent entity | (5,599) | 8,539 |
| | | |
| **Weighted average number of shares used in (thousands)** | | |
| - Basic earnings | 1,749,618 | 993,625 |
| - Diluted earnings | 1,749,618 | 993,625 |
| | | |
| **Earnings per share (cents) attributable to the ordinary equity holders of the parent entity** | | |
| Basic loss per share | (0.3) | 0.9 |
| Diluted loss per share | (0.3) | 0.9 |

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

## Note 8. Current assets – Trade and other receivables

| | Consolidated | |
|---|---|---|
| | **31 December 2021** | **30 June 2021** |
| | **$'000** | **$'000** |
| Trade receivables | 1,631 | 2,099 |
| Other receivables | 82 | 5 |
| | 1,713 | 2,104 |

## Note 9. Current assets – Inventories

| | Consolidated | |
|---|---|---|
| | **31 December 2021** | **30 June 2021** |
| | $'000 | $'000 |
| Gas | 155 | 198 |
| Oil and Condensate | 99 | 46 |
| LPG | 5 | 6 |
| Materials and Consumables | 1,932 | 1,847 |
| | 2,191 | 2,097 |

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 inventory includes direct materials, direct labour, transportation costs and variable and fixed overhead costs related to production activities.

## Note 10. Other Current Assets

| | Consolidated | |
|---|---|---|
| | 31 December 2021 | 30 June 2021 |
| | $'000 | $'000 |
| Prepayments | 1,234 | 760 |
| Other current assets | 161 | 116 |
| | 1,395 | 876 |

Prepayments include insurance, permit rents, annual landholder compensation fees and annual environmental authority fees.

## Note 11. Non-current assets - Exploration and evaluation assets

| | Consolidated | |
|---|---|---|
| | 31 December 2021 | 30 June 2021 |
| | $'000 | $'000 |
| Exploration and evaluation assets | 43,285 | 40,377 |
| Less: Accumulated impairment | (8,364) | (8,364) |
| | 34,921 | 32,013 |

| | Consolidated | |
|---|---|---|
| | 31 December 2021 | 30 June 2021 |
| | $'000 | $'000 |
| **Movements in the provision for impairment amounts** | | |
| Balance at the beginning of the year | (8,364) | (7,511) |
| Provisions raised | - | (853) |
| | (8,364) | (8,364) |

| | Consolidated | |
|---|---|---|
| | 31 December 2021 | 30 June 2021 |
| | $'000 | $'000 |
| **Movements in carrying amounts** | | |
| Balance at the beginning of the year | 32,013 | 35,209 |
| Additions | 2,907 | 4,153 |
| Additions acquired with CoEra Pty Ltd[1] | - | 1,064 |
| Disposals[2,3] | - | (7,560) |
| Provision for impairment | - | (853) |
| | 34,921 | 32,013 |

**[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.

**[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 held approximately 12.5% of Auburn's issued share capital.

**[3]South Nicholson Basin**

In 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.

The disposal in FY2021 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 original Farm-in Agreement made during the 2020 financial year.

## Provision for Impairment of Exploration and Evaluation assets

In accordance with the Group's accounting policy, the Exploration and Evaluation assets were tested for indicators of impairment at 31 December 2021. The Group determined that there was no trigger present for impairment.

## 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 reporting date.

The Directors have assessed that for the exploration and evaluation assets recognised at 31 December 2021, the facts and circumstances do not suggest that the carrying amount of an asset may exceed its recoverable amount. In considering this the Directors have had regard to the facts and circumstances that indicate a need for impairment as noted in Accounting Standard AASB 6 "Exploration for and Evaluation of Mineral Resources".

## Note 12. Non-current assets - Oil and gas assets

| | Consolidated 31 December 2021 | 30 June 2021 |
|---|---|---|
| | $'000 | $'000 |
| Oil and gas assets - at cost | 86,506 | 85,517 |
| Less: Accumulated amortisation | (11,981) | (10,809) |
| Less: Provision for impairment | (11,500) | (11,500) |
| | 63,025 | 63,208 |
| Less: R&D grants relating to Oil and gas assets | (4,389) | (4,389) |
| Less: GAP grants relating to Oil and gas assets | (6,056) | (6,056) |
| | (10,445) | (10,445) |
| | 52,580 | 52,763 |

| | Consolidated 31 December 2021 | 30 June 2021 |
|---|---|---|
| | $'000 | $'000 |
| **Movements in carrying amounts** | | |
| Balance at the beginning of the year | 52,763 | 58,333 |
| Additions | 1,654 | 11,123 |
| Transfers to PPE and intangibles | (332) | - |
| Depreciation charge | (1,505) | (5,193) |
| Provision for impairment | - | (11,500) |
| | 52,580 | 52,763 |

**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 and 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.

The following represents inputs to the future cash flows, which have been kept in line with those used in FY2021 as management believe these are still relevant and conservate:

| Commodity and 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 |

Future commodity prices are based on the Group's best estimate of expected market prices with reference to 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.

A review of the discounted cashflows implies that no impairment is required for the Surat Basin CGU for the reporting period. 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 oil and gas asset where it meets the relevant recognition criteria.

## Note 13. Non-current assets - Other financial assets

| | Consolidated | |
|---|---|---|
| | 31 December 2021 | 30 June 2021 |
| | $'000 | $'000 |
| Financial assets at fair value through other comprehensive income | 5,402 | 5,402 |
| Less: cumulative fair value movement | (4,252) | (4,252) |
| | 1,150 | 1,150 |
| Financial assurances | 5,613 | 5,613 |
| Security deposits | 3,733 | 4,015 |
| | 10,496 | 10,778 |

The decreased Security Deposit relates to the Secured Amortising Notes requirement. As at 31 December 2021, Armour was required to hold $2,069,000 being 3 times the next quarterly interest payment. As the quarterly interest payments reduce, the excess funds are withdrawn.

Financial assurances and security deposits are cash backed bank guarantees.

| | Consolidated | |
|---|---|---|
| | 31 December 2021 | 30 June 2021 |
| | $'000 | $'000 |
| **Movements in financial assets at fair value through Other Comprehensive Income** | | |
| Opening balance at 1 July | 1,150 | 1,087 |
| Additions | - | 700 |
| Fair Value adjustments through Other Comprehensive Income | - | (637) |
| | 1,150 | 1,150 |

Financial assets at fair value through other comprehensive income comprise:

- Ordinary shares in LKO, which were fully impaired during the prior 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 FY2021 financial year for the shares received in Auburn Resources NL for the sale of Ripple Resources Pty Ltd.

## Note 14. Non-current assets - right-of-use assets

| | Consolidated | |
|---|---|---|
| | 31 December 2021 | 30 June 2021 |
| | $'000 | $'000 |
| Motor vehicles - right-of-use | 2,063 | 2,055 |
| Less: Accumulated depreciation | (881) | (694) |
| | 1,182 | 1,361 |

## Note 15. Current liabilities - Trade and other payables

| | Consolidated 31 December 2021 | 30 June 2021 |
|---|---|---|
| | $'000 | $'000 |
| Trade payables | 5,781 | 3,820 |
| Deposits held | 1,172 | 2,075 |
| Accrued expenses | 1,136 | 1,938 |
| Other payables | 563 | 1,009 |
| GST payable | 36 | 124 |
| Unearned Income | - | 59 |
| Other tax liabilities | 921 | 31 |
| Trade payables | 9,609 | 9,056 |

Deposits held at 30 June 2021 were funds received from investors as part of the March 2021 private placement. The shares were issued subsequent to year-end on 8 July 2021.

Deposits held at 31 December 2021 were funds received from funding partners held for Warroon #01 And Myall Creek #02 work programs. Armour reached agreement with the private entities who will fund 100% of the capital cost of the Warroon #01 re-stimulation and Myall Creek #02 fracture stimulation in exchange for a share of the incremental production achieved above the current well production profile less costs for a period of six years, while Armour will retain the remaining income.

## Note 16. Current and non-current liabilities - lease liabilities

| | Consolidated 31 December 2021 | 30 June 2021 |
|---|---|---|
| | $'000 | $'000 |
| Current Lease liability | 194 | 369 |
| Non-Current Lease liability | 982 | 964 |
| | 1,176 | 1,333 |

## Note 17. Current and non-current liabilities - Employee benefits

| | Consolidated 31 December 2021 | 30 June 2021 |
|---|---|---|
| | $'000 | $'000 |
| Current Employee Benefits | 464 | 497 |
| Non-Current Employee Benefits | 38 | 32 |
| | 502 | 529 |

## Note 18. Current liabilities – Borrowings

| | Consolidated | |
|---|---|---|
| | 31 December 2021 | 30 June 2021 |
| | $'000 | $'000 |
| Tribeca Loan Facility | 5,395 | 5,229 |
| Secured Amortising Notes | 9,350 | 8,800 |
| Secured Amortising Notes - issue costs | (469) | (469) |
| Redeemable Exchangeable Notes | 2,673 | - |
| Other facilities | 64 | 60 |
| | 17,013 | 13,620 |

The Group was non-compliant with respect to a Tribeca facility covenant as at 31 December 2021. The Tribeca facility agreement amendments executed on 29 December 2021 include the removal of this financial requirement once the amendments become effective following fulfillment of the Condition's Precedent, including approval by the Company's shareholders. The Group would have been compliant had the Condition's Precedent been meet prior to 31 December 2021.

The redeemable exchangeable notes are a part of the steps taken to raise capital for the demerger and IPO of the McArthur Basin Assets. These notes, which mature 31 October 2022, are unsecured and fully subordinated to the Secured Amortising Notes and Tribeca Facility. Upon shareholder approval, these notes will convert to McArthur Oil and Gas Limited Shares at the time of the IPO based on the IPO Exchange Price (80% of the parent company share issue price as per the IPO prospectus). Interest is incurred at 15% per annum, with the interest being payable on exchange, maturity or redemption.

### 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 29 April 2022. In addition, the Company granted 41,000,000 unlisted options to Tribeca to subscribe for ordinary shares with an exercise price of A$0.166, which expired 31 July 2021.

| | Consolidated 31 December 2021 | 30 June 2021 |
|---|---|---|
| | $'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 | (1,332) | (1,261) |
| Amortisation of conversion rights | 2,637 | 2,739 |
| Amortisation of issue costs | 70 | 22 |
| | 5,175 | 5,229 |

## Note 19. Non-current liabilities – Borrowings

**Total secured liabilities**

| | Consolidated 31 December 2021 | 30 June 2021 |
|---|---|---|
| | $'000 | $'000 |
| Secured Amortised Notes | 19,968 | 24,917 |
| Secured Amortised Notes - issue costs | (806) | (1,040) |
| | 19,162 | 23,877 |

| | Consolidated 31 December 2021 | 30 June 2021 |
|---|---|---|
| **Total current and non-current** | $'000 | $'000 |
| **Secured Amortising Notes** | | |
| Face value of Secured Amortising Notes | 29,318 | 33,717 |
| Issue costs of Secured Amortising Notes | (2,109) | (2,351) |
| Amortisation of Secured Amortising Notes costs | 834 | 842 |
| | 28,043 | 32,208 |

### 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.

## Note 20. Non-current liabilities - Provision for restoration and abandonment

| | *Consolidated* | |
|---|---|---|
| | ***31 December 2021*** | ***30 June 2021*** |
| | $'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 31 December 2021, the facts and circumstances do not suggest that the carrying amount of the provision has changed.

## Note 21. Equity - Issued capital

**Issued and paid up capital**

| | **Consolidated** | | | |
|---|---|---|---|---|
| | **31 December 2021** | **30 June 2021** | **31 December 2021** | **30 June 2021** |
| | **Shares** | **Shares** | **$'000** | **$'000** |
| Ordinary shares - fully paid | 1,967,855,171 | 1,529,816,120 | 153,975 | 141,876 |
| Share issue costs | - | - | (10,740) | (10,194) |
| Recognition of deferred tax asset relating to share issue costs | - | - | 2,089 | 2,089 |
| | 1,967,855,171 | 1,529,816,120 | 145,324 | 133,771 |

### Movements in ordinary share capital

| Details | Date | Shares | Issue price | Value |
|---|---|---|---|---|
| | | # | | $'000 |
| Balance | 1-Jul-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 |
| | | | | |
| Balance | 1-Jul-20 | 1,529,816,120 | | 133,771 |
| Share issues for cash (supplier payment) | 7-Jul-21 | 5,344,617 | $0.03 | 143 |
| Conditional placement | 9-Jul-21 | 80,407,143 | $0.04 | 2,814 |
| Employee issued shares | 9-Aug-21 | 12,124,630 | $0.03 | 303 |
| Employee issued shares | 9-Aug-21 | 360,000 | $0.02 | 8 |
| Share issues for cash (supplier payment) | 9-Aug-21 | 7,484,481 | $0.03 | 187 |
| Share issues for cash (supplier payment) | 12-Aug-21 | 1,924,455 | $0.03 | 60 |
| Placement | 29-Sep-21 | 220,192,320 | $0.03 | 5,725 |
| Employee issued shares | 6-Oct-21 | 8,793,109 | $0.03 | 237 |
| Share issues for cash (supplier payment) | 8-Nov-21 | 3,939,519 | $0.03 | 98 |
| Share issues for cash (supplier payment) | 8-Nov-21 | 1,260,417 | $0.02 | 30 |
| Private and Conditional placement | 23-Dec-21 | 95,192,307 | $0.03 | 2,475 |
| Share issues for cash (supplier payment) | 23-Dec-21 | 1,016,053 | $0.02 | 19 |
| Share issue costs | | | | (546) |
| Balance | 31-Dec-21 | 1,967,855,171 | | 145,324 |

In July 2021, Armour issued the conditional placement related to the March 2021 capital raise.

In December 2021, Armour issued the conditional placement related to the September 2021 capital raise,

### 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 |
|---|---|---|---|---|
| | | # | $ | % |
| 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% |
| 9/07/2021 | 29/02/2024 | 66,355,466 | $0.05 | 100.00% |
| 29/09/2021 | 29/02/2024 | 73,397,439 | $0.05 | 100.00% |
| 24/12/2021 | 29/02/2024 | 64,530,769 | $0.05 | 100.00% |
| Balance | | 713,964,751 | | |

In total, there were 204,283,674 options issued during the reporting period, exercisable at 5 cents and expiring 29 February 2024.

## Note 22. Equity - Reserves

| | Consolidated | |
|---|---|---|
| | 31 December 2021 | 30 June 2021 |
| | $'000 | $'000 |
| Financial assets at fair value through other comprehensive income reserve | (5,977) | (5,977) |
| Share-based payments option reserve | 4,903 | 4,903 |
| Performance shares reserve | 98 | 98 |
| Tribeca Loan Option Reserve | 2,893 | 2,893 |
| | 1,917 | 1,917 |

### 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.

## Note 23. Events after the reporting period

Other than the below subsequent events, no other matter or circumstance has arisen since 31 December 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.

- At 31 December 2021 Armour Energy held 2,125,000,000 ordinary shares in Lakes Blue Energy NL (LKO) and 576,487,727 Secured Convertible Notes. As at the date of reporting these shares were suspended from trading on the Australia Stock Exchange (ASX). On 7th February LKO met the necessary pre-conditions and the suspension of trading was lifted, the Company was then reinstated to official quotation on the ASX.
- On 29 December 2021, Armour entered into an amendment agreement, with Tribeca, to the Tribeca Facility to provide for a further term extension and facilitate the repayment of the Tribeca Facility by way of an equity settlement arrangement. The 29 December 2021 amendment agreement was further amended during February 2022. Armour will issue 290,000,000 ordinary shares and 48,333,333 options to two unrelated special purpose vehicles to on sell and remit the proceeds of sale to Armour. Armour will be mandated to apply these proceeds to paying down the Tribeca Facility Principal and Interest. A Shareholder Meeting will be held on 4 April 2022 to consider and, if thought fit, to pass the related resolutions approving the arrangements.

## Note 24. 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 2020-4 *COVID-19 Related Rent Concessions*
- AASB 2021-3 *COVID-19 Related Rent Concessions beyond 30 June 2021*
- *AASB 2020-8 Interest Rate Benchmark Reform – Phase 2*
- AASB 2021-4 Modified Retrospective Transition Approach for Service Concession Grantors

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

Armour Energy Limited

# Directors' Declaration

# 31 December 2021

The Directors' of the Group declare that:

a) the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 Interim Financial Reporting and other applicable Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
b) the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the financial year ended on that date; and
c) 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**

16 March 2022

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
**www.bdo.com.au**

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

# INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Armour Energy Limited

## Report on the Half-Year Financial Report

### Conclusion

We have reviewed the half-year financial report of Armour Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 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 half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the half-year ended on that date; and

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

### Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of 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 the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

### Material uncertainty relating to going concern

We draw attention to Note 3 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

**Responsibility of the directors for the financial report**

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

**Auditor's responsibility for the review of the financial report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

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

**BDO Audit Pty Ltd**

BDO

**R M Swaby**
Director

Brisbane, 16 March 2022

# 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** | Boardroom Pty Limited |
| **Registered Office / Principal Place of Business** | Level 27<br>111 Eagle Street<br>BRISBANE QLD 4000 |
| **Postal / Contact Address** | GPO Box 5261<br>BRISBANE QLD 4001 |
| **Telephone** | +61 7 3303 0620 |
| **Email** | info@armourenergy.com.au |
| **Share Registry** | Link Market Services Limited<br>Level 21<br>10 Eagle Street<br>BRISBANE QLD 4000 |
| **Auditor** | BDO Audit Pty Ltd<br>Level 10<br>12 Creek Street<br>BRISBANE QLD 4000 |
| **Solicitors** | Hopgood Ganim Lawyers<br>Level 21 Waterfront Place<br>1 Eagle Street<br>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