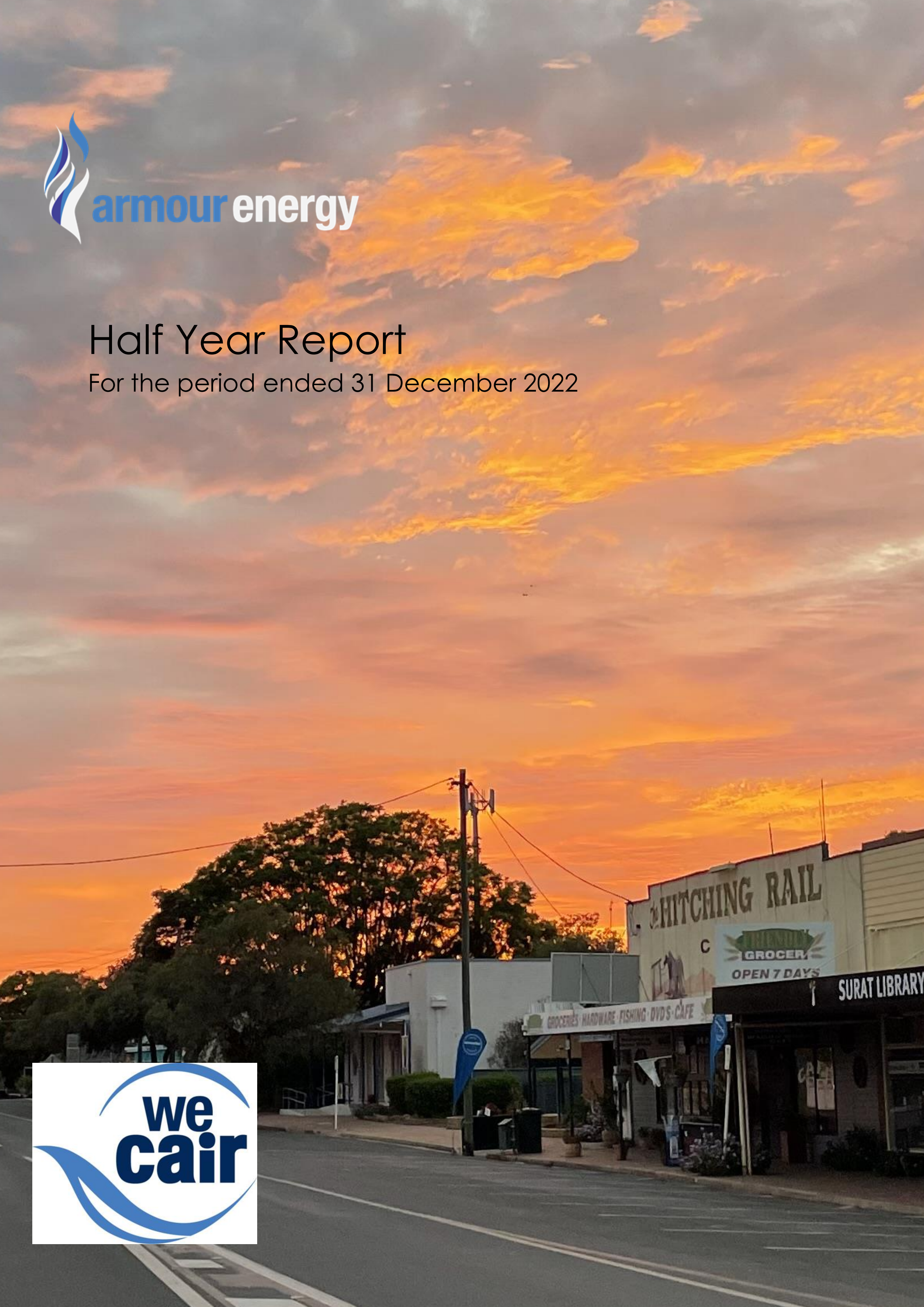
Half Year Report

For the period ended 31 December 2022



Competent Persons Statement

Technical Statement – Hydrocarbon Reserves

The independently verified 'Armour Energy Hydrocarbon Reserves, 30 June 2022' 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 for the year ending 30 June 2022.

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 as reported in Armour Energy's 30 June 2022 Annual Report. There has been no new information or data that materially affects the information included in this Half year Report ending 31 December 2022. All the material assumptions and technical parameters underpinning any estimates mentioned continue to apply and have not materially changed.

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 the 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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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.

Chairman’s Report

Dear Shareholders,

Despite the continued challenges faced by Armour, our company remains committed to its long-term strategy of unlocking value for its shareholders by realising the value of its existing assets. I remain confident in the Company’s future prospects.

I am very pleased to report that over the last 6 months Armour has seen a transformation with new management, including Christian Lange as the Chief Executive Officer and Geoffrey Walker as the Chief Financial Officer and Company Secretary. A number of positive achievements were delivered over the past 6 months, including:

- Enterprise North Prospect being fully evaluated and drill ready based on reinterpreted and merged 3D seismic data and the approval process proceeding on schedule.
- A continued focus on cleaning up the balance sheet, reducing the Secured Amortising Notes by $4.9 million and paying out the Tribeca Facility in full on 15 November 2022.
- Zero environmental incidents and zero Total Recordable Injury Frequency Rate (TRIFR)
- Completion of the H2 CY 2022 work program
- Completed a tender process for near-term gas sales for prices higher than the existing contract pricing and reflecting expected future market prices.

While I acknowledge that the current share price and net loss is not ideal, I appreciate the loyalty of our stakeholders and am excited to share that over the next 6 months, I see a clear pathway forwards to achieve growth and success by focussing on:

- The drilling of the Enterprise North 1 well in the Otway Basin.
- Executing the seriatim of planned Surat “in-well-bore” opportunities and partnering with industry professionals to increase gas production.
- Securing a Surat gas sales contract which will ensure that the realised gas price is closer to future market expectations.
- Appraising, developing and commercialising the McArthur Basin Assets.
- Reducing the operating costs across the business, managing cashflow and improving profitability.
- Reducing the Company’s debt burden by restructuring the balance sheet.

The market for gas on the East Coast continues to be strong. We remain cautiously optimistic about the prospects for the remainder of the year. I believe Armour’s substantial and diverse asset base is poised for near- and long-term growth. The Company’s strong acreage positions in the Cooper Basin in South Australia, the Otway Basin in Victoria, the McArthur Basin in the Northern Territory and its Surat Basin assets in Queensland provide it with strategic diversity. Maturing these assets will help support the demands of the East Coast Australian Gas markets.

Once again, I would like to express my utmost gratitude to the Company’s shareholders, customers, suppliers and employees for their continued support and patience during this period. We are very focused and determined, on transforming Armour Energy into a prominent oil and gas exploration and production company, with a commitment to delivering value for our shareholders.

Yours sincerely

Nicholas Mather
Chairman

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.

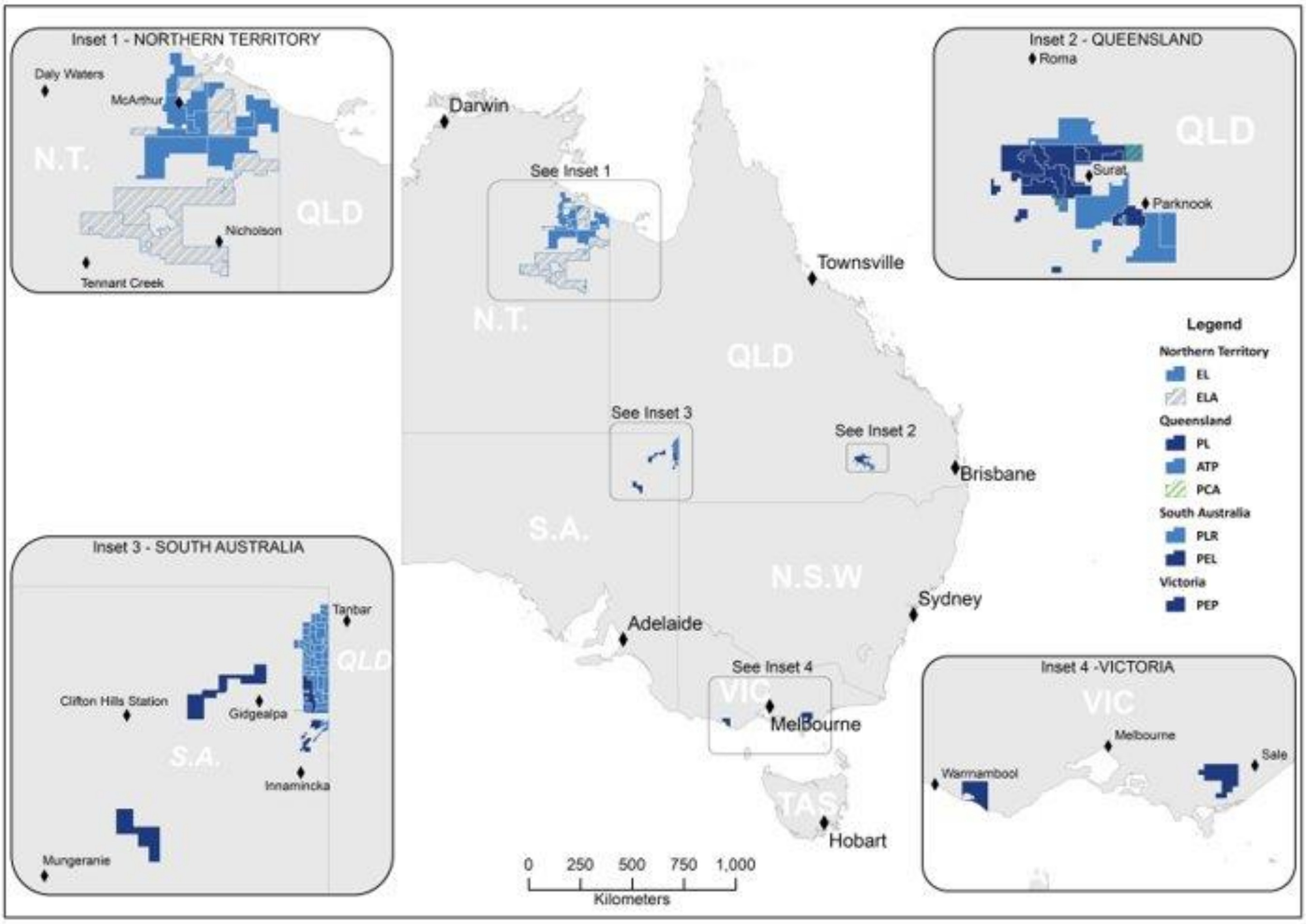


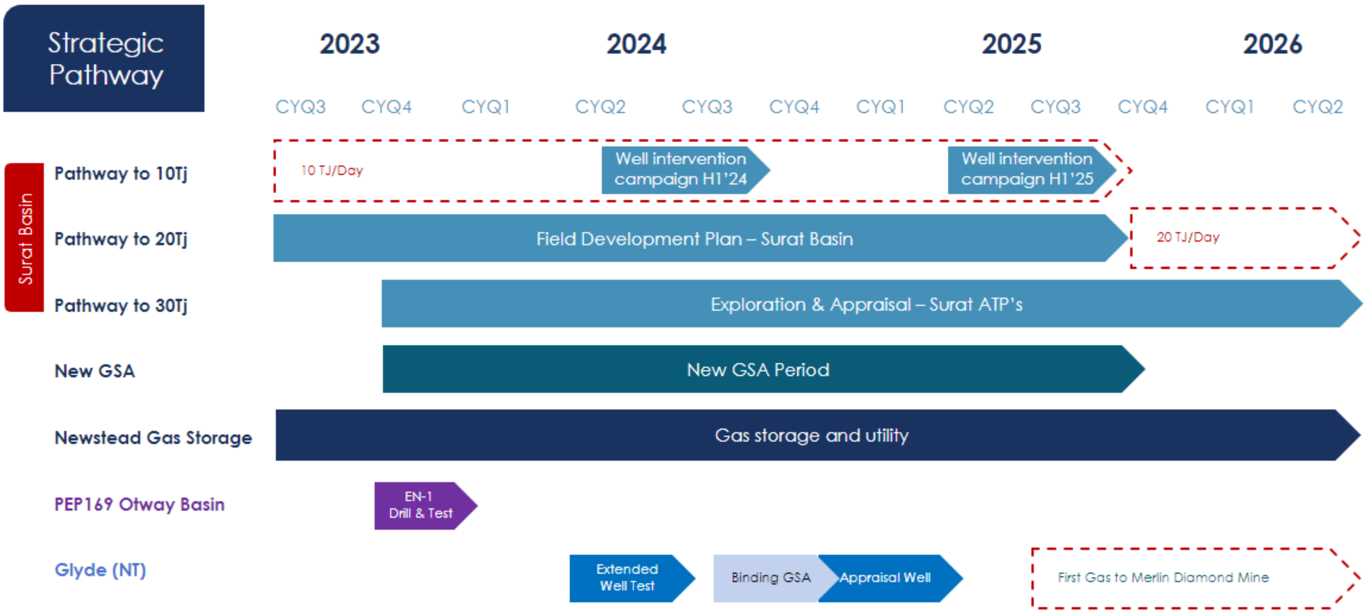
Figure 1 – Summary of Armour's assets and locations

Key Points

- Armour continued to reduce its debt under the Secured Amortising Notes by $4.95 million.
- Armour repaid it's Tribeca debt in full on 15 November 2022.
- Corporate initiatives progressed to provide funding and to realise value from Armour's project portfolio.
- New management: Christian Lange appointed Chief Executive Officer and Geoffrey Walker appointment Chief Financial Officer and Company Secretary.
- As part of the annual impairment review, $1.3 million was recognised as an impairment of exploration and evaluation assets.
- Enterprise North Prospect being fully evaluated and drill ready based on reinterpreted and merged 3D seismic data.
- Zero environmental incidents and zero Total Recordable Injury Frequency Rate.
- Completed a tender process for near-term gas sales for prices higher than the existing contract pricing and reflecting the expected future market prices.

Strategy and Values

Armour's strategic pathway to exploiting the Group's existing flowing wells will see volumes of 10TJ/ day within the next 12 months. This will open up Armour's opportunities to increase production further in the long term.



Vision

Armour's vision is to build a leading exploration and production company, focussed on responsible and sustainable energy supply to the East Coast markets from our high quality and diverse assets. We will achieve this by:

- Prioritised long-term returns through disciplined capital allocation.
- Focus on immediate opportunities to grow production.
- Strengthen the balance sheet.
- Maintain top quartile safety and environmental performance.
- Build resources and reserves through exploration.

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

Values

Through collaborative efforts from the team our core values have evolved to be:

Community : Having a sense of community unites us. Being a part of a community is to be part of something greater than ourselves. It gives us opportunities to connect with people, focus on our and others wellbeing; safety & security; and achieve our objectives.

Accountability: We will be transparent and own the actions we take and make.

Integrity: We conduct our business with honesty and Integrity. We're committed to doing what's best for our stakeholders. We openly collaborate and have no tolerance for politics, hidden agendas or poor behaviour.

Resilience: the ability to adapt successfully and recover from challenging experiences. It is the ability to endure adversity, to learn and to grow.

Operating Review

Surat Basin Assets

Kincora Gas Project Overview

The Company delivers gas to the Eastern Australian market from its Kincora Gas Project. Despite weather challenges, Kincora has continued to achieve an average above 95% operational up time for the past 6 months (HY Dec 2021: 95%) and an average production of approximately 3.8 TJ/day (HY Dec 2021: 5.0 TJ/day) of sales gas plus associated liquids.

Average Production per day	HY Dec 2022	HY Dec 2021	Change
Gas (TJ)	3.8	5.0	(24%)
LPG (T)	5.6	8.4	(33%)
Oil/Condensate (BBL)	75.9	91.6	(17%)

Kincora average production

Kincora also produced an average of approximately 76 barrels (HY Dec 2021: 92 barrels) of oil and condensate per day, and approximately 6 tonnes (HY Dec 2021: 8 tonnes) per day of Liquid Petroleum Gas (LPG).

Condensate is sold ex-Kincora and transported to various refineries around Australia. LPG is sold at the Kincora Gas Plant and on-sold to provide national energy for agricultural enterprises, heating and transport.

Armour continues to maintain a strong safety culture, maintaining a zero TRFIR and zero environmental incidents.

Development Activities

Surat Basin Production Enhancement Programme

During the second half of 2022, Armour remained focussed on its production enhancement activities. The in-well-bore (IWB) programme was designed to target a range of opportunities leveraging Armour's existing well stock including initiatives to restore lost production, arrest premature decline and access bypassed & stranded gas. Two of the key initiatives included a workover of Myall Creek #5A and the connection of Rednook #01 to gathering.

Myall Creek #5A Workover / Re-completion

In February 2022, Myall Creek #5A suffered a mechanical tubing blockage that completely inhibited gas production from the well. Subsequent efforts in early 2022 including slickline and coiled tubing interventions had been unsuccessful in clearing the obstruction in the well.

The primary objective of the workover / re-completion was to restore connectivity to the Black Alley formation and re-establish production. The secondary objectives were to restore production from the Tinowon-A formation and also re-complete the well allowing access to the Rewan formation. From the outset, the well workover and re-completion of Myall Creek #5A was considered to be both technically and mechanically challenging.

Unfortunately, after numerous attempts at recovering the bottom hole assembly isolating the Tinowon-A, the lower completion was eventually abandoned. The well was re-completed with access restored to the Black Alley and a new completion design allowing access to the previously unproduced Rewan formation. The lower Tinowon-A completion was left in situ for future access. A coiled tubing intervention was planned to restore access to the Tinowon-A in early January 2023. Modest production was restored to sales via the Rewan in November 2022.

Myall Creek #5A Well Head Metering & Facilities - February 2023

Connection of Rednook #01

Rednook #01 was a stranded gas well drilled in November 1987. While production testing had confirmed the production potential, the well had never been connected to sales due to challenging topography and high line pressures in the nearby Parknook field. The well intersects both the Showgrounds and Rewan formations which have shown long-term sustainable production of both gas and rich hydrocarbon liquids in the nearby Parknook and Warroon fields. Rednook #01 was successfully connected to gathering in mid-December 2022. Initial observations confirmed the expected production profile and the well is currently producing gas and liquids hydrocarbons to sales.

Well Optimisation

In other areas of the In-Well-Bore programme, six automated intermitter units were installed and commissioned across the field in Q4 2022. These units maximise the recovery of gas and liquids to arrest the pre-mature production decline often seen in liquid rich wells. The intermitter units routinely cycle the well to overcome liquid loading issues experienced in retrograde condensate and depleted reservoirs. In addition to arresting decline, the automated functionality of these units reduces the frequency of well site visitation and surveillance requirements.

Kincora #40 well site intermitter unit – installed Nov 2022

Surat Basin Exploration

During the reporting period Armour continued to focus on developing a multi-year exploration programme based on building a deep portfolio of exploration leads and drill-ready prospects.

Armour is developing its subsurface work program for 2023. Armour has signed a MoU with SLB (formerly Schlumberger Limited) for engagement in a partnership to assist with these work activities. SLB has commenced the reprocessing of the Myall Creek 3D Seismic Survey.

Armour is continuing to progress a number of alternate proposals from third parties to fund these activities.

Victoria Assets

The Enterprise North prospect is in Victorian onshore permit PEP 169 (Armour 51% interest and Operator) and is in close proximity with the Enterprise 1 gas discovery (Beach Energy) and Minerva gas field (Cooper Energy).

Enterprise North Prospect within PEP169

New transition 3D seismic interpretation has identified the Enterprise North prospect as an analogue of the Enterprise Gas field recently discovered by Beach Energy in the adjacent tenement to PEP169. The Enterprise 1 discovery was flow tested at 63 million cubic feet of gas per day which led to a 2P reserves booking of 161 petajoules of gas, 352,000 tonnes of LPG, and 4 million barrels of condensate at an initial gas-condensate yield of 25 barrels / million cubic feet. (Beach Energy Ltd - ASX releases, 26 January 2021 & 15 February 2021).

The Enterprise North-1 drill planning is progressing, including Environmental Approvals and engagement with the Regulators and Key Stakeholders and is scheduled for Q3'23/Q4'23.

The Enterprise North 1 prospect is well located relative to multiple gas pipelines, processing and storage infrastructure with two nearby gas processing plants with current excess capacity providing a potential near-term processing option to expedite commercialisation of a discovery.

Northern Basin Business

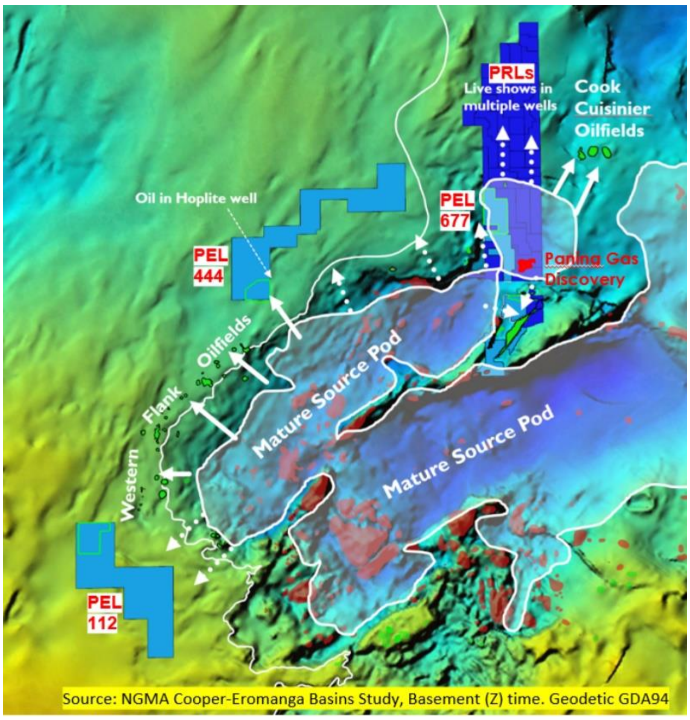
Armour Energy is the holder (100%) across a significant acreage position (13 permits) in the McArthur Basin which includes both conventional & unconventional exploration play fairways. This includes pervasive thick multi-TCF unconventional shale gas potential in the Barney Creek Fm immediately adjacent to the Beetaloo Basin with equivalent source potential of the target Velkerri Formation. Conventional gas has been flowed from the Glyde-1 ST1 within Armour Energy's EP171 at 3.3 million cubic feet of gas per day and technical studies are focused on better understanding this resource for future commercialisation.

Cooper Basin Assets

Cooper Basin Overview

Armour holds 30 licences (100%) in the South Australian Cooper Basin making Armour the 3rd largest net acreage holder in is area. Armour is assessing an integrated exploration strategy and preparing plans for operational activity in 2023 work program for its Cooper Basin assets, including considering airborne geophysical survey techniques aimed at de-risking the presence of hydrocarbon charge across the acreage which play a part to de-risk and plan future work activities.

Armour continues to investigate the viability of the conventional Jurassic/Triassic Oil play, and the Permian Wet Gas with additional consideration for the Permian deep coal play.



South Australian Cooper Basin showing depth of basin and Armour Energy Acreage position.

Uganda Assets

The Company was awarded the Kanywataba exploration licence (the Ugandan flagship project) in September 2017 with DGR Global, a major shareholder in Armour. Armour holds a beneficial interest of 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. Exploration work has recommenced with the 2D seismic survey to be undertaken with 100-line kilometres of infill 2D seismic to refine prospectivity observed in the Kanywataba block.

Activities have included the following:

- Reprocessing of existing 2D seismic data
- Geochemical surface soil gas sampling program
- 2D seismic programme
- Basin Analysis study

Commercial and Corporate Activities

Funding agreement

Over the last 6 months, Armour entered into subscription agreements with DGR Global Ltd ($11.03 million), Bizzell Capital Partners Pty Ltd ($0.4 million) and BAM Opportunities Fund Pty Ltd ($0.34 million), raising $11.8 million in total. This funding has been provided by way of a placement of redeemable exchangeable notes issued by Armour's subsidiary, McArthur Oil and Gas Ltd (MOG), at an issue price per note of $1.00 and otherwise on the terms and conditions set out in the Redeemable Exchangeable Note Trust Deed (MOG Notes). MOG and Armour intend to obtain all necessary approvals and consents to allow for the exchange of the MOG Notes subscribed for by DGR Global, Bizzell Capital Partners, BAM Opportunities Fund and the existing MOG Notes already on issue (together with any accrued and unpaid interest) into Armour Convertible Notes. Approvals and consents expected to be required for the exchange of MOG Notes for Armour Convertible Notes will be sought from Armour shareholders and, if necessary, the holders of Armour's secured amortising notes (Secured Notes). This funding enables Armour to continue to optimise the value of its substantial asset base including pursuing several small production enhancement projects in the Surat area.

Share Placement

The Company placed 51.45m new shares at an issue price of $0.0065 which represented a premium of 8.3% to the last traded price of $.006 on 12 October 2022 and a 4% premium to the 5-day volume weighted average price at the time of issue. All New Shares issued pursuant to the placement will rank equally with the Company's existing shares on issue. Funds raised, together with existing funds were for general working capital requirements.

Debt Facilities

The Company has made a $4.95 million principal amortisation payment to the holders of the Company's Secured Amortising Notes (Secured Notes) during the half year to 31 December 2022. The remaining face value of the Secured Notes outstanding following the principal and interest payment that was made on 29 December 2022 is now $19,967,200 (original face value of the Secured Notes at the time of issue was $55,000,000). The Secured Notes currently have a principal and interest repayment schedule through until 29 March 2024. As at 31 December 2022 Armour had not met certain Financial Undertakings pursuant to the Terms and Conditions of the Secured Amortising Notes including the Debt Service Cover Ratio, the Leverage Ratio and Minimum Cash Balance. See Note 3 to the financial statements for further details on how Armour is rectifying the issue.

The Tribeca Environmental Bonding Facility was repaid in full on 15th November 2022.

Directors' Report

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group' or 'Armour') 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 2022.

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 half year that have not been detailed elsewhere in this report.

Directors

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

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

Company Secretary

Mr Geoffrey Walker has been Armour's Company Secretary since 25 May 2022.

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 reporting period.

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 2022 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.

- Armour signed a Gas Supply Heads of Agreement (HOA) with Australian Natural Diamonds Ltd. The HOA is in place to supply gas for 14 years from the Glyde has discovery to Merlin Diamond Project beginning mid CY2025. This is anticipated to be a minimum of 7 PJ of gross sales over the contract term. The terms set out in the HOA will form the basis of a fully termed Gas Sales Agreement (GSA) once all the conditions precedent have been met.

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 $6,688,000. 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

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 of particular risks faced by the Company – and its stance on climate change issues. Refer to the Sustainability Report in the 30 June 2022 Annual 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.

Rounding of Amounts

The financial statements are 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.

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 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors

Nicholas Mather
Executive Chairman
16 March 2023

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

As lead auditor for the review of Armour Energy Limited for the half-year ended 31 December 2022, 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 2023

Financial Statements

For the half year ended 31 December 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2022

		Consolidated	
		31 December 2022	31 December 2021
Revenue	**Note**	**$'000**	**$'000**
Revenue from contracts with customers	5	6,421	9,155
Cost of goods sold	6	(7,363)	(9,432)
Gross loss		**(942)**	**(277)**
Interest revenue		33	6
Government Grant		-	1
Net loss on sale of assets		-	(35)
Expenses			
Exploration expenditure written off	14	(1,343)	-
Finance costs		(2,795)	(2,635)
General and administrative expenses	6	(2,676)	(2,243)
Share based payments	6	(287)	(416)
Loss before income tax (expense) / benefit		**(8,010)**	**(5,599)**
Income tax (expense)/ benefit		-	-
Loss after income tax (expense) / benefit for the year attributable to the owners of Armour Energy Limited		**(8,010)**	**(5,599)**
Other comprehensive income for the year, net of tax		**-**	**-**
Total comprehensive loss for the year attributable to the owners of Armour Energy Limited		**(8,010)**	**(5,599)**
		Cents	**Cents**
Basic loss per share	7	(0.4)	(0.3)
Diluted loss per share	7	(0.4)	(0.3)

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

Consolidated Statement of Financial Position

As at 31 December 2022

		Consolidated 31 December 2022	30 June 2022
ASSETS	**Note**	**$'000**	**$'000**
Current assets			
Cash and cash equivalents		1,065	3,255
Trade and other receivables	8	1,184	1,544
Inventories	9	2,764	2,535
Other current assets		2,618	1,348
		7,631	**8,682**
Assets held for sale	10	1,987	3,262
Total current Assets		**9,618**	**11,944**
Non-current assets			
Other financial assets	11	7,994	9,614
Property, plant and equipment		195	214
Right-of-use assets	12	935	1,108
Intangibles		310	355
Oil and gas assets	13	52,333	50,536
Exploration and evaluation assets	14	33,484	34,266
Total non-current Assets		**95,251**	**96,093**
TOTAL ASSETS		**104,869**	**108,037**
LIABILITIES			
Current liabilities			
Trade and other payables	15	12,932	12,184
Lease liabilities	16	260	274
Employee benefits	17	423	454
Borrowings	18	38,017	21,821
Total current liabilities		**51,632**	**34,733**
Non-current liabilities			
Borrowings	19	-	13,896
Employee benefits	17	42	49
Lease liabilities	16	716	851
Provision for restoration and abandonment	20	6,688	6,688
Total non-current liabilities		**7,446**	**21,484**
TOTAL LIABILITIES		**59,078**	**56,217**
NET ASSETS		**45,791**	**51,820**
EQUITY			
Issued capital	21	147,931	145,983
Reserves	22	60	125
Accumulated losses		(102,200)	(94,288)
Total Equity		**45,791**	**51,820**

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

Consolidated Statement of Cashflows

For the half year ended 31 December 2022

	Consolidated	
	31 December 2022	31 December 2021
	$'000	$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	8,372	10,418
Payments to suppliers and employees (inclusive of GST)	(9,742)	(11,222)
Interest received	4	3
Interest paid on lease liability	(49)	(57)
Interest paid on borrowings	(1,431)	(1,699)
Net cash used in operating activities	**(2,846)**	**(2,557)**
Cash flows from investing activities		
Refund/(payments) for security deposits	171	272
Payments for property, plant, and equipment	-	(88)
Payments for oil and gas assets	(1,236)	(1,048)
Proceeds from/(refund to) funding partner	(22)	1,168
Payments for exploration and evaluation assets	(982)	(1,957)
Net cash used in investing activities	**(2,069)**	**(1,653)**
Cash flows from financing activities		
Proceeds from issue of shares	1,558	8,944
Proceeds from issue of notes	11,768	2,640
Payment of principal portion of lease liability	(183)	(119)
Repayment of borrowings	(10,405)	(4,400)
Transaction costs on the issue of shares and notes	(13)	(628)
Net cash from financing activities	**2,725**	**6,437**
Net increase/(decrease) in cash and cash equivalents	(2,190)	2,227
Cash and cash equivalents at the beginning of the reporting period	3,255	2,358
Cash and cash equivalents at the end of the reporting period	**1,065**	**4,585**

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

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2022

	Issued capital	Reserves	Accumulated losses	Total equity
Consolidated	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 July 2022	145,983	125	(94,288)	51,820
Loss after income tax expense	-	-	(8,010)	(8,010)
Transactions with owners in their capacity as owners:				
Shares issued during the year	1,558	(98)	98	1,558
Share issue costs	(35)	-	-	(35)
Share-based payments	425	33	-	458
Balance at 31 December 2022	**147,931**	**60**	**(102,200)**	**45,791**

	Issued capital	Reserves	Accumulated losses	Total equity
Consolidated	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 July 2021	133,771	1,917	(86,175)	49,513
Loss after income tax expense	-	-	(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**

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 2023. 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 2022 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 2022 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 The group has applied the required amendments to Standards and interpretations that are relevant to the operations and effective for the first time for the current reporting period commencing 1 July 2022. These did not have any material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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

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.

The financial statements are 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.

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.

For the half year ended 31 December 2022, the Group generated a consolidated net loss before tax of $8,010,000 and incurred operating net cash outflows of $2,846,000. As at 31 December 2022, the Group had cash and cash equivalents of $1,065,000, net current liability of $42,014,000 and net assets of $45,791,000. The Group has achieved production during the last six-months, which resulted in $6,421,000 of revenue and a gross loss of $942,000.

The Company has Secured Amortising Notes (Secured Notes) on issue with a remaining face value of the Notes outstanding at 31 December 2022 of $19,967,200 (original face value of the Secured Notes at the time of issue was $55,000,000). The Company made $4.95 million in principal amortisation payments to the Noteholders during the half year to 31 December 2022. The Secured Notes currently have a principal and interest repayment schedule through until 29 March 2024. As at 31 December 2022 Armour had not met certain Financial Undertakings pursuant to the Terms and Conditions of the Secured Amortising Notes including the Debt Service Cover Ratio, the Leverage Ratio and Minimum Cash Balance. As at the date of this report, the Company has not sought or received any waiver for breach of these financial undertakings.

The ability of the Group to continue as a going concern is principally dependent on one or more of the following:

- Completion of the capital raising program (as outlined below)
- Successfully effect the equity cure of the breach of financial undertakings or else obtain a waiver for the breaches (as outlined below)
- The successful completion of the in-well bore program to increase production from existing infrastructure
- The realisation of funds from the sale or farm out of exploration assets held in the Surat Basin, Northern Territory, Southern Basin and Cooper Basin

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 and therefore the entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

Capital Raising Program

Armour intends to undertake a capital raising program to raise approximately $55 million in the very near term. This capital raising program has secured significant cornerstone investor commitments prior to launch of the capital raising and the raising is expected to be fully underwritten. The raising will assist with strengthening the balance sheet, enabling repayment of the Secured Notes and remedy the breach of financial undertakings, and providing a pathway for Armour to move forward with its strategic plans.

Secured Amortising Notes

It is the current intention of Armour to repay the Secured Notes from the upcoming capital raising in order to remedy the breach under the Equity Cure provisions of the agreement. Consent from Noteholders to waive any breaches of these Financial Undertakings and with respect to future maintenance of these Financial Undertakings may be required to be obtained by Armour if repayment of the Secured Notes does not occur from the capital raising (i.e. the Equity Cure) in a timely manner. Armour has sought and obtained similar consents and waivers from the Noteholders in the past.

Future Production

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, the group is forecasting to increase revenue over the coming months by executing a number of commercial arrangements to deliver work programs designed to exploit the Group's existing flowing wells and nearby areas, which is expecting Armour's production to get to 10TJ/day by the end of the calendar year.

Cost Reductions

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

Furthermore, the Group has the ability to manage capital and liquidity by taking some or all of the following actions:

- Seeking further opportunities to settle liabilities through an issuance of equity instead of cash.
- Reducing its level of capital expenditure through farm-outs and/or joint ventures.
- Managing its working capital expenditure.
- Applying for eligible Research and Development tax refund receipts, and other Government incentives.
- Disposing of non-core assets.

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

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 2022, 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 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 half year ended 31 December 2022 approximately 57% (2021: 56%) 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 & Gas		Corporate		Total	
	31 Dec 22	31 Dec 21	31 Dec 22	31 Dec 21	31 Dec 22	31 Dec 21	31 Dec 22	31 Dec 21
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue								
Revenue from contracts with customers	-	-	6,421	9,155	-	-	6,421	9,155
Total segment revenue	-	-	6,421	9,155	-	-	6,421	9,155
EBITDA	(4)	-	(363)	1,166	(2,809)	(2,551)	(3,176)	(1,385)
Depreciation and amortisation	-	-	(690)	(1,539)	(39)	(11)	(729)	(1,550)
Impairment of assets	(1,343)	-	-	-	-	-	(1,343)	-
Loss on disposal of assets	-	(15)	-	(19)	-		-	(34)
Interest revenue	-	-	18	2	15	4	33	6
Finance costs	(859)	-	(629)	(889)	(1,307)	(1,746)	(2,795)	(2,635)
Loss before income tax expense	(2,206)	(15)	(1,664)	(1,279)	(4,140)	(4,304)	(8,010)	(5,599)
Income tax expense							-	
Loss after income tax expense							(8,010)	(5,599)

	EEA		Oil & Gas		Corporate		Total	
	31 Dec 22	30 Jun 22	31 Dec 22	30 Jun 22	31 Dec 22	30 Jun 22	31 Dec 22	30 Jun 22
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets								
Segment assets	34,023	34,089	67,251	67,615	3,595	6,333	104,869	108,037
Total assets							104,869	108,037
Liabilities								
Segment liabilities	-	-	17,435	21,301	41,643	34,917	59,078	56,217
Total liabilities							59,078	56,217

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 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 2022	31 December 2021
	$'000	$'000
Revenue from contracts with customers		
Gas	3,634	6,046
LPG	852	1,311
Oil and Condensate	1,935	1,798
	6,421	**9,155**

The Group satisfies its performance obligation at a 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 the sale of goods is variable depending on physical production amounts. Payment is due by the customer within a range of 10 to 21 business days from the end of the invoiced month.

Note 6. Expenses

	Consolidated	
	31 December 2022	31 December 2021
	$'000	$'000
Loss before income tax includes the following specific expenses:		
Cost of goods sold		
Operating expenses	4,894	5,296
Employment costs	1,779	2,597
Depreciation	690	1,539
Total cost of sales	7,363	9,432
General and administrative expenses		
Employee expenses not included in cost of sales	1,571	1,183
Management fee	228	228
Consultancy and legal costs	218	159
Insurance not included in cost of sales	97	95
Director fees	132	164
Depreciation and amortisation		
Office equipment	4	11
Amortisation of intangibles	36	28
Other expenses	390	375
Total general and administrative expenses	2,676	2,243
Share-based payments	287	416
Total superannuation expense (included in costs of goods sold and general and administrative expenses)	289	330

Note 7. Earnings per share

	Consolidated 31 December 2022	31 December 2021
	$'000	$'000
Loss after income tax attributable to the owners of the parent entity	(8,010)	(5,599)
Weighted average number of shares used in (thousands)		
- Basic earnings	2,238,462	1,749,618
- Diluted earnings	2,238,462	1,749,618
Earnings per share (cents) attributable to the ordinary equity holders of the parent entity		
Basic loss per share	(0.4)	(0.3)
Diluted loss per share	(0.4)	(0.3)

Options and rights are not considered dilutive as the Group has made a loss and they are considered anti-dilutive.

Note 8. Current assets – Trade and other receivables

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 half year ended 31 December 2022 (31 December 2021: 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.

	Consolidated 31 December 2022	30 June 2022
	$'000	$'000
Trade receivables	1,080	1,439
Other receivables	104	105
	1,184	1,544

Note 9. Current assets – Inventories

	Consolidated 31 December 2022	30 June 2022
	$'000	$'000
Gas	87	126
Oil and Condensate	143	84
LPG	1	4
Materials & Consumables	2,533	2,321
	2,764	2,535

Note 10. Current assets - Assets held for sale

	Consolidated	
	31 December 2022	***30 June 2022***
	$'000	$'000
Oil and gas assets	1,987	1,987
Other Financial Assets	-	1,275
	1,987	3,262

Oil and Gas Assets

On 31 May 2022 PZE and Armour agreed that PZE will acquire Armour's interest in the Waldegrave (PL28, PL69, PL89, PL320W, PL12W) and Snake Creek East (PL11 and PL11W) Projects for consideration valued at $1,986,717, with the majority due in a milestone payment within 6 months of the transaction date. Armour has 46.25% interest in the Waldegrave Project and a 25% interest in the Snake Creek East Project.

The transaction is subject to the satisfaction of various conditions including consents and approvals including:

- A Tolling Agreement to be agreed.
- Ministerial approval of the interest transfer.
- Conclusion of Due Diligence investigations.
- Execution of Buyer and Seller Parent guarantees.

The carrying value of the tenements was revalued in FY 2022 when the sale contract with PZE was entered into to a book value of $1,986,717.

As at March 2023, of the pre-completion conditions only the Ministerial approval is outstanding. Applications for the transfer were lodged with the Department of Resources in October 2022.

Note 11. Non-current assets - Other financial assets

	Consolidated 31 December 2022	30 June 2022
	$'000	$'000
Financial assets at fair value through other comprehensive income	700	700
Less: cumulative fair value movement	-	-
	700	700
Financial assurances	5,630	5,613
Security deposits	1,664	3,301
	7,994	9,614

Financial assurances include cash held in term deposit accounts with Westpac bank, Macquarie bank and security deposits includes amounts held with various state government agencies. Both are requirements of the various government agencies upon approval of permits.

In addition, security deposits include a deposit held with Perpetual, which is a borrowing requirement of the Secured Amortising Notes. The condition requires three times the amount of interest that would be payable on the immediately following interest payment date to be held in a separate account. As at 31 December 2022, this deposit was $1,310,349 (30 June 2022: $1,636,250).

The Financial assurances and security deposits held for the various state government agencies are cash backed bank guarantees

	Consolidated 31 Dec 2022
	$'000
Movements in financial assets at fair value through Other Comprehensive Income	
Opening balance at 1 July	700
Additions	-
Fair Value adjustments through Other Comprehensive Income	-
	700

Financial assets at fair value through other comprehensive income is the value of the investments in Auburn Resources NL (which were received in consideration for the sale of Ripple Resources Pty Ltd in the 2021 financial year).

Note 12. Non-current assets – Right-of-use assets

	Consolidated 31 December 2022	30 June 2022
	$'000	$'000
Motor vehicles - right-of-use	2,169	2,169
Less: Accumulated depreciation	(1,234)	(1,061)
	935	1,108

Note 13. Non-current assets – Oil and gas assets

	Consolidated	
	31 December 2022	30 June 2022
	$'000	$'000
Oil & gas assets – at cost	88,354	85,892
Less: Accumulated amortisation	(13,561)	(12,896)
Less: Provision for impairment	(12,015)	(12,015)
	62,778	60,981
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)
	52,333	50,536

	Consolidated 31 December 2022
	$'000
Movements in carrying amounts	
Balance at the beginning of the year	50,536
Additions	2,462
Depreciation charge	(665)
	52,333

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.

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 6-month period ended 31 December 2022.

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 benefit 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 assumption is made that undeveloped wells will be funded and developed before 2036.

The future cash flows are most sensitive to estimates of future commodity prices, foreign exchange rates (to the extent that they influence commodity prices) and discount rates. The assets will become impaired with a decrease in the oil and gas prices to the extent of 30% of the assumed prices.

Future commodity prices are based on the Group's current best prudent 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 12% 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 2024	FY 2025	FY 2026	FY 2027 beyond
Oil $USD/bbl	75.00	75.00	75.00	75.00
TC03 Gas $AUD/GJ	6.9551	N/A	N/A	N/A
Spot Market Gas $AUD/GJ	15	15	15	15
LPG $USD/T	500	500	500	500
USD/AUD fx rate	1.45	1.43	1.43	1.33

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.

Based on this analysis management believe there is no requirement for the carrying value of the Surat Basin CGU to be impaired.

Note 14. Non-current assets - Exploration and evaluation assets

	Consolidated 31 December 2022	30 June 2022
	$'000	$'000
Exploration and evaluation assets	43,680	43,119
Less: Accumulated impairment	(10,196)	(8,853)
	33,484	34,266

	Consolidated 31 December 2022
	$'000
Movements in carrying amounts	
Balance at the beginning of the year	34,266
Additions	561
Provision for impairment	(1,343)
	33,484

	Consolidated 31 December 2022
	$'000
Movements in the provision for impairment amounts	
Balance at the beginning of the year	(8,853)
Provisions raised	(1,343)
	(10,196)

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 2022. The Group determined that there was a trigger present for ATP 2028 and ATP 2029. The application to declare these areas as PCA's were declined by the Department of Resources in 2019. Armour appealed the decision. Armour is expecting to withdraw from these proceedings and do not expect to recoup the costs to date. As such, an impairment provision of $1,343,000 was recorded during the year ended 31 December 2022.

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 31 December 2022, 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".

Note 15. Current liabilities - Trade and other payables

	Consolidated 31 December 2022	30 June 2022
	$'000	**$'000**
Trade payables	7,600	7,192
Deposits Held	407	1,551
Accrued expenses	2,590	1,404
Other payables	2,288	1,937
GST payable	(29)	58
Other tax liabilities	76	42
	12,932	12,184

Note 16. Current and non-current liabilities - Lease liabilities

	Consolidated 31 December 2022	30 June 2022
	$'000	**$'000**
Current Lease liability	260	274
Non-Current Lease liability	716	851
	976	1,125

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

	Consolidated 31 December 2022	30 June 2022
	$'000	**$'000**
Current Employee Benefits	423	454
Non-Current Employee Benefits	42	49
	465	503

Note 18. Current liabilities – Borrowings

	Consolidated 31 December 2022	30 June 2022
	$'000	$'000
Tribeca Loan Facility	-	5,189
Secured Amortising Notes	19,967	10,450
Secured Amortising Notes - issue costs	(806)	(469)
Redeemable Exchangeable Notes	18,783	6,177
Other facilities	73	474
	38,017	21,821

	Consolidated 31 December 2022	30 June 2022
	$'000	$'000
Total current and non-current		
Secured Amortising Notes		
Face value of Secured Amortising Notes	19,967	24,917
Issue costs of Secured Amortising Notes	(2,351)	(2,351)
Amortisation of Secured Amortising Notes	1,546	1,311
	19,162	23,877

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 was secured by a guarantee from the Company, in 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 Environmental Bonding Facility was repaid in full on 15th November 2022.

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 $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.

In April 2022 Armour received approval from Noteholders for amendments to the Conditions of the Secured Amortising Notes. The approved amendments included:

- Amendments to Financial Undertakings, including the Debt Service Cover Ratio, the Leverage Ratio and the cash balances Armour must maintain.
- Amendments to increase a certain limit on incurring Financial Indebtedness.
- Consent from the Noteholders to extend the due date for the environmental bonding finance facility.

As at 31 December 2022 Armour had not met certain Financial Undertakings pursuant to the Terms and Conditions of the Secured Amortising Notes including the Debt Service Cover Ratio, the Leverage Ratio and Minimum Cash Balance. As at the date of this report, the Company has not sought or received any waiver for breach of these financial undertakings. The Notes have been reclassified to a Current Liability as the expectation is now that they will be repaid in the next 12 months. See Note 3 Going concern for further details.

Redeemable exchangeable notes

The redeemable exchangeable notes are a part of the steps taken to raise capital for the demerger and IPO of the McArthur Basin Assets. Over the past six months, Armour entered into subscription agreements with DGR Global Ltd ($11.0 million), Bizzell Capital Partners Pty Ltd ($0.4 million) and BAM Opportunities Fund Pty Ltd ($0.34 million), raising $11.7 million in total. This funding has been provided by way of a placement of redeemable exchangeable notes issued by Armour's subsidiary, McArthur Oil and Gas Ltd (MOG), at an issue price per note of $1.00 and otherwise on the terms and conditions set out in the Redeemable Exchangeable Note Trust Deed (MOG Notes).

MOG and Armour intend to obtain all necessary approvals and consents to allow for the exchange of the MOG Notes subscribed for by DGR Global, Bizzell Capital Partners, BAM Opportunities Fund and the existing MOG Notes already on issue (together with any accrued and unpaid interest) into Armour Convertible Notes. Approvals and consents expected to be required for the exchange of MOG Notes for Armour Convertible Notes will be sought from Armour shareholders and, if necessary, the holders of Armour's secured amortising notes (Secured Notes). This funding enables Armour to continue to optimise the value of its substantial asset base including pursuing several small production enhancement projects in the Surat area.

Note 19. Non-current liabilities – Borrowings

	Consolidated	
	31 December 2022	30 June 2022
	$'000	$'000
Secured Amortising Notes	-	14,467
Secured Amortising Notes - issue costs	-	(571)
	-	13,896

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

	Consolidated 31 December 2022	30 June 2022
	$'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 2022, the facts and circumstances do not suggest that the carrying amount of the provision has materially changed.

Note 21. Equity - Issued capital

Issued and paid-up capital

	Consolidated			
	31 Dec 2022	30 Jun 2022	31 Dec 2022	30 Jun 2022
	Shares	Shares	$'000	$'000
Ordinary shares - fully paid	2,331,998,158	2,039,451,327	156,616	154,633
Share issue costs	-	-	(10,774)	(10,739)
Recognition of deferred tax asset relating to share issue costs	-	-	2,089	2,089
	2,331,998,158	2,039,451,327	147,931	145,983

Movements in ordinary share capital

Details	Date	Shares	Issue price	Value
Balance	01-Jul-22	2,039,451,327		145,983
Employee issued shares*	11-Jul-22	33,733,549	$0.006	203
Supplier Invoices	11-Jul-22	12,766,000	$0.007	89
Placement	01-Aug-22	72,500,000	$0.006	456
Placement	01-Aug-22	100,000,000	$0.007	768
Placement	29-Nov-22	51,450,000	$0.0065	334
Employee issued shares*	29-Nov-22	22,097,282	$0.006	133
Share issue costs				(35)
Balance	31-Dec-22	2,331,998,158		147,931

* Certain staff members have agreed to accept shares in lieu of cash salaries

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	30/09/2023	40,000,000	$0.08	100.00%
17/12/2019	30/09/2023	8,000,000	$0.08	100.00%
23/06/2020	29/02/2024	31,166,497	$0.05	100.00%
30/06/2020	29/02/2024	7,018,341	$0.05	100.00%
12/08/2020	29/02/2024	9,424,831	$0.05	100.00%
24/08/2020	29/02/2024	16,894,150	$0.05	100.00%
17/09/2020	29/02/2024	35,929,524	$0.05	100.00%
01/10/2020	29/02/2024	144,163,885	$0.05	100.00%
19/10/2020	29/02/2024	87,811,409	$0.05	100.00%
22/12/2020	29/02/2024	66,778,341	$0.05	100.00%
24/03/2021	29/02/2024	62,494,099	$0.05	100.00%
09/07/2021	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%
02/05/2022	29/02/2024	12,083,333	$0.05	100.00%
02/05/2022	29/02/2024	48,333,334	$0.05	100.00%
01/08/2022[1]	29/02/2024	12,083,333	$0.05	100.00%
01/08/2022[1]	29/02/2024	12,083,333	$0.05	100.00%
Balance		798,548,084		

[1] In total, there were 24,166,666 (2022: 264,700,341) options issued in financial year 2023 YTD to settle the Tribeca facility, exercisable at 5 cents and expiring 29 February 2024.

Note 22. Equity - Reserves

	Consolidated	
	31 December 2022	30 June 2022
	$'000	$'000
Financial assets at fair value through other comprehensive income reserve	(4,876)	(4,876)
Share-based payments option reserve	4,936	4,903
Performance shares reserve	-	98
	60	125

Note 23. Events after the reporting period

Other than the below subsequent events, no other matter or circumstance has arisen since 31 December 2022 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.

- Armour signed a Gas Supply Heads of Agreement (HOA) with Australian Natural Diamonds Ltd. The HOA is in place to supply gas for 14 years from the Glyde has discovery to Merlin Diamond Project beginning mid CY2025. This is anticipated to be a minimum of 7 PJ of gross sales over the contract term. The terms set out in the HOA will form the basis of a fully termed Gas Sales Agreement (GSA) once all the conditions precedent have been met.

Armour Energy Limited
Directors' Declaration
31 December 2022

The Directors' of the Group declare that:

a) the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standard AASB 134: Interim Financial Reporting, 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 31 December 2022 and of its performance for the half 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

16 March 2023

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Armour Energy Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Armour Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, 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 2022 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 gives a true and fair view and 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 2022 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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 2023

Corporate Directory

Directors	
Nicholas Mather	Executive Chairman
Stephen Bizzell	Non-Executive Director
Eytan Uliel	Independent Non-Executive Director
Company Secretary	Geoffrey Walker
Registered Office / Principal Place of Business	Level 27 111 Eagle Street BRISBANE QLD 4000
Postal / Contact Address	GPO Box 5261 BRISBANE QLD 4001
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