



ASX Announcement

Quarterly Activities Report

For the period ended 31 December 2021

Highlights:

- New Chief Financial Officer appointed
- Morgans appointed as lead manager for the proposed IPO of McArthur Oil & Gas
- Armour secures farm-in partner Gas2Grid for Surat acreage
- Planning of Warroon-1 fracture stimulation and Myall Creek-2 perforation
- Myall Creek-2 funding arrangement with Stonehorse Energy
- Quarterly sales revenue of \$4.7 million
- Average normalised gas production of 5.3 TJ/day and 101.8 bbls/day of oil and condensate

During the Quarter Armour commenced its Surat Basin 2022 Work Program with planning for a fracture stimulation at Warroon-1 and the Myall Creek-2 perforation and continues to evaluate its Cooper Basin prospects.

Armour remains focussed on the proposed demerger and IPO of all of the Company's Northern Basin exploration holdings through McArthur Oil and Gas Limited (McArthur).

MCARTHUR OIL & GAS DEMERGER AND IPO UPDATE

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.

EXPLORATION ACTIVITIES

Surat Basin Exploration

During the Quarter, the Company planned 3D Seismic activity to de-risk its Surat Basin acreage. These plans have been accelerated following plans for farm-in arrangements with Gas2Grid. One of the two proposed farm-ins with Gas2Grid involves the Myall-Bainbilla Farm-in block, a 489 km² block comprising PL22, PL53, PL227, and ATP647. The proposed farm-in activity includes both inversion work on existing 3D Seismic, plus acquisition of new 3D Seismic within the Myall Bainbilla farm-in block.

A small portion of the Myall Bainbilla farm-in block (58 km²) is covered by 3D seismic which was acquired in 2004. Armour and Gas2Grid are planning to re-process this dataset using modern inversion techniques. Armour's initial work suggest that the inversion technique could potentially identify a north easterly extension to the Myall Creek field which has been one of the most prolific fields within Armour's Surat acreage.

The remaining 431 km² of the Myall-Bainbilla Farm-in block has no 3D seismic coverage but is rich with leads from 2D Seismic. Armour plans to shoot 3D seismic over a large portion of this acreage, representing the first seismic acquisition in the project area in 25 years. The 3D seismic will provide a better understanding of the structural and stratigraphic complexities of the area by utilising world class nodal technology, thereby unlocking the significant remaining prospectivity of the area 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.

Under the proposed farm-in terms, Gas2Grid will earn a 50% interest in the Myall-Bainbilla block by fully funding seismic re-processing (inversion), acquisition of 100 km² of full-fold 3D seismic, plus drilling two new wells. The total 3D seismic area acquired will be approximately 400 km², with Armour and Gas2Grid jointly funding a portion exceeding Gas2Grid's farm-in obligation. In total, this is larger than any 3D Seismic survey ever completed in the Surat Basin.

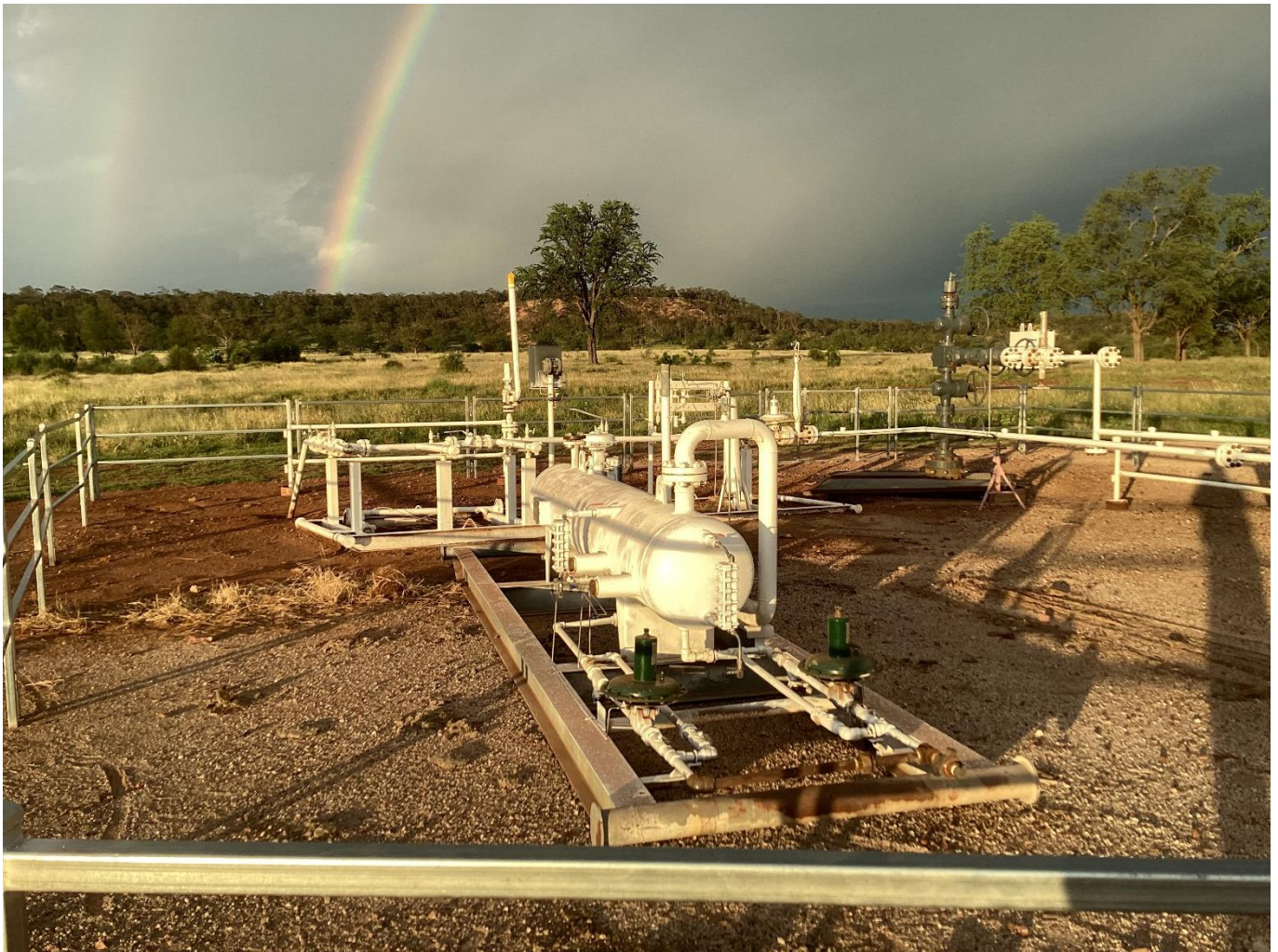
Cooper Basin Exploration

During the Quarter the Company has refined its charge modelling work for hydrocarbons in the Western Flank of the Cooper Basin. The charge modelling work identifies a likely extension of the Western Flank into the Company's licenses to the north (PEL 444) and southwest (PEL 112) of the known Western Flank. The Company continues to evaluate prospects in PEL 112 based on the charge modelling and 2D Seismic, and in PEL 444, based on the charge modelling and 3D Seismic.

DEVELOPMENT ACTIVITIES

Surat Basin Production Enhancement Programme

During the Quarter, the Company planned the Warroon-1 fracture stimulation and Myall Creek-2 perforation, both scheduled to commence in early January 2022. The Company continues to high grade additional value-adding projects utilising existing well stock, including wells with bypassed pay and/or re-stimulation opportunities. The Company has identified and matured additional fracture stimulation opportunities and continues to pursue funding arrangements similar to those executed for Warroon-1 and Myall Creek-2.



Warroon-1 well head facilities

The Company also continued to focus on infield optimisation this quarter. Low-cost automation systems installed across 9 of our producing wells continue to improve production reliability and increase condensate production. The ongoing optimisation of these wells provides valuable insights into the front-end engineering work for the next phase of deployment. In addition, the Company continued to investigate innovative optimisation technologies with a range of vendors to help arrest pre-mature production decline.

KEY PERFORMANCE METRICS – PRODUCTION, SALES & REALISED GAS PRICE

| Key performance metrics | Qtr. on Qtr. | | | | |
|------------------------------------|--------------|-------------|-------------|-------------|-------------|
| | Q2 FY22 | Q1 FY22 | Q2 FY21 | Change | FY22 YTD |
| Total production (PJe) | 0.6 | 0.5 | 0.6 | 20% | 1.1 |
| Total sales volume (PJe) | 0.6 | 0.5 | 0.6 | 20% | 1.1 |
| Total sales revenue (\$ million) | 4.7 | 4.4 | 4.2 | 7% | 9.1 |
| Average realised gas price (\$/GJ) | 9.0 | 7.9 | 5.9 | 14% | 8.4 |
| Debt (\$ million) ¹ | 34.7 | 36.9 | 50.4 | (6%) | 34.7 |

FINANCIAL PERFORMANCE

Sales Revenue

This quarter's total sales revenues increased by 7% to \$4.7 million as a result of last quarter's annual maintenance shutdown. The product mix and favourable pricing added to the increase.

| \$ million | Qtr. on Qtr. | | | | |
|----------------------------|--------------|------------|------------|-----------|------------|
| | Q2 FY22 | Q1 FY22 | Q2 FY21 | Change | FY22 YTD |
| Gas | 3.1 | 2.9 | 3.3 | 7% | 6.0 |
| LPG | 0.7 | 0.6 | 0.4 | 17% | 1.3 |
| Oil | 0.2 | 0.1 | 0.1 | 100% | 0.3 |
| Condensate | 0.7 | 0.8 | 0.4 | (13%) | 1.5 |
| Total Sales Revenue | 4.7 | 4.4 | 4.2 | 7% | 9.1 |

Sales Volume & Average Realised Prices

Quarterly sales volumes were lower than the prior quarter for liquids due to low demand however this was offset with higher prices.

Realised weighted average pricing across all products was \$8.3/GJe, a slight decrease on the prior quarter due to product mix.

¹ Includes Secured Amortising Notes and Tribeca Facilities

| | Q2 FY22 | Q1 FY22 | Q2 FY21 | Qtr. on Qtr. Change | FY22 YTD |
|---|------------|------------|------------|------------------------|------------|
| Volumes | | | | | |
| Gas (TJ) | 485.3 | 431.3 | 527.2 | 13% | 916.6 |
| LPG (Tonnes) | 711.0 | 833.3 | 901.0 | (15%) | 1,544.3 |
| Oil (Bbl) | 1,597.1 | 1,456.8 | 2,139.6 | 10% | 3,053.9 |
| Condensate (Bbl) | 5,905.9 | 7,892.2 | 6,670.4 | (25%) | 13,798.2 |
| Prices | | | | | |
| Sales Gas (\$/GJ) | 9.0 | 7.9 | 5.9 | 14% | 8.4 |
| LPG (\$/tonne) | 730.7 | 646.7 | 372.2 | 13% | 688.7 |
| Oil and Condensate (\$/Bbl) | 109.3 | 100.0 | 60.5 | 9% | 104.6 |
| All products Weighted Average (\$/GJe) | 8.3 | 8.6 | 6.6 | (3%) | 8.4 |

Capital Expenditure

Capital expenditure of \$1.1 million reflects the ongoing costs to progress the Northern Basin asset de-merger and compliance across various permits such as rents and royalties.

| \$ million | Q2 FY22 | Q1 FY22 | Q2 FY21 | Qtr. on Qtr. Change | FY22 YTD |
|----------------------------------|---------|---------|---------|------------------------|----------|
| Exploration and Appraisal | 1.0 | 2.2 | 1.8 | (55%) | 3.2 |
| Development, Plant and Equipment | 0.1 | 1.0 | 6.0 | (90%) | 1.1 |

Related Party Transactions

There were no related party transactions paid during the quarter ended 31 December 2021. Related party transactions relate to director fees, administrative overheads, charges for rent and IT expenses for the purposes of 6.1 and 6.2 of Appendix 5B.

| \$AUD millions | Q2 FY22 | Q1 FY22 | Q2 FY21 | Qtr. on Qtr. Change | FY22 YTD |
|-----------------|---------|---------|---------|------------------------|----------|
| Director fees | - | - | 0.1 | - | - |
| Admin overheads | - | - | 0.1 | - | - |

An amount of \$0.3 million was paid to Bizzell Capital Partners for its services as joint lead manager of the September 2021 capital raise, included in 3.4 of Appendix 5B.

DGR Global Ltd, (a major shareholder with a common Director) participated in the September 2021 capital raise with the conditional placement of \$1.6 million being approved at the Annual General Meeting in November 2021. Funds were received by 31 December 2021.

In addition to the above, DGR Global Ltd subscribed for \$2 million McArthur pre-IPO redeemable exchangeable notes, with the funds being deposited in January 2022. The redeemable exchangeable notes are unsecured and fully subordinated to the Secured Amortising Notes and Tribeca Facility. Subject to shareholder approval these notes will convert to McArthur Shares upon IPO.

CORPORATE AND COMMERCIAL

Armour Secures Farm-in Partner to Surat Acreage

Armour agreed indicative terms with Gas2Grid (ASX:GGX) to farm-in to 519 km² 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 km² 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 km² of new 3D seismic, larger than any 3D Seismic survey ever completed in the Surat Basin.

Myall Creek-2 Funding Arrangement

Armour reached agreement with Stonehorse Energy (ASX:SHE) and a private entity which will jointly fund the capital cost of re-stimulation activities in Myall Creek-2 in exchange for a share of the production. Armour will initially perforate and fracture stimulate the Myall Creek-2 lower Tinowon formation, commencing January 2022, and subsequently fracture stimulate up to two further formations. The two entities will jointly fund 100% of the capital which is estimated to cost \$1.5 million for the perforation and fracture stimulation of the Lower Tinowon, then a further \$1.4 million for a second fracture stimulation within 12 months. The entities will receive 50% of the revenue produced from the well less costs for a period of six years, while Armour will retain the remaining income.

Capital Raise

In December the capital raise announced on 27 September 2021 was completed with the \$1.6 million conditional placement approved at the Annual General Meeting on 25 November 2021.

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 code AJQOA.

Debt facilities

Armour has agreed with Tribeca to extend their facility with Armour to 30 April 2022.

OTHER CORPORATE UPDATES

New Chief Financial Officer appointed

The Company is pleased to announce Mr Craig Gouws has joined Armour Energy as its new Chief Financial Officer (CFO) on 20 December 2021. Craig is a highly experienced finance professional with over 20 years of international experience, including in 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. 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 the United Kingdom.

Investor Relations

A copy of recent presentations can be found at:

<https://www.armourenergy.com.au/corporate-presentation>

Authorised by the Board of Directors
On behalf of the Board
Natalie Climo
Company Secretary

Competent Persons Statement

Forward Looking Statement

This announcement may contain certain statements and projections provided by or on behalf of Armour Energy Limited (Armour) with respect to the anticipated future undertakings. These forward-looking statements reflect various assumptions by or on behalf of Armour. Accordingly, these statements are subject to significant business, economic and competitive uncertainties and contingencies associated with exploration and/or production which may be beyond the control of Armour which could cause actual results or trends to differ materially, including but not limited to price fluctuations, exploration results, resource estimation, environmental risks, physical risks, legislative and regulatory changes, political risks, project delay or advancement, ability to meet funding requirements, factors relating to property title, native title and aboriginal heritage issues, dependence on key personnel, share price volatility, approvals and cost estimates. Accordingly, there can be no assurance that such statements and projections will be realised.

Armour makes no representations as to the accuracy or completeness of any such statement of projections or that any forecasts will be achieved.

Additionally, Armour makes no representation or warranty, express or implied, in relation to, and no responsibility or liability (whether for negligence, under statute or otherwise) is or will be accepted by Armour or by any of their respective officers, directors, shareholders, partners, employees, or advisers as to or in relation to the accuracy or completeness of the information, statements, opinions or matters (express or implied) arising out of, contained in or derived from this presentation or any omission from this presentation or of any other written or oral information or opinions provided now or in the future to any interested party or its advisers. In furnishing this information, Armour undertakes no obligation to provide any additional or updated information whether as a result of new information, future events or results or otherwise.

Nothing in this material should be construed as either an offer to sell or a solicitation of an offer to buy or sell securities. It does not include all available information and should not be used in isolation as a basis to invest in Armour Energy Limited.

Competent Persons Statement

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

Appendix A

Interests in Tenements this Quarter

| TYPE | LOCATION | OWNER | INTEREST |
|-----------------------------------|--------------------|----------------------------|----------|
| PL 14 | Queensland | AE (SB) P/L | 100.00% |
| PL 53 | Queensland | AE (SB) P/L | 100.00% |
| PL 70 | Queensland | AE (SB) P/L | 100.00% |
| PL 511 | Queensland | AE (SB) P/L | 100.00% |
| PL 227 | Queensland | AE (SB) P/L | 100.00% |
| PPL 3 | Queensland | AE (SB) P/L | 100.00% |
| PPL 20 | Queensland | AE (SB) P/L | 100.00% |
| PPL 63 | Queensland | AE (SB) P/L | 100.00% |
| PL 28 | Queensland | AE (SB) P/L | 46.25% |
| PL 69 | Queensland | AE (SB) P/L | 46.25% |
| PL 89 | Queensland | AE (SB) P/L | 46.25% |
| PL 320 | Queensland | AE (SB) P/L | 46.25% |
| PL 321 Waldegrave | Queensland | AE (SB) P/L | 46.25% |
| PL 12 | Queensland | AE (SB) P/L | 46.25% |
| PL 321 Snake Creek | Queensland | AE (SB) P/L | 25.00% |
| PL 21 | Queensland | AE (SB) P/L | 100.00% |
| PL 22 | Queensland | AE (SB) P/L | 100.00% |
| PL 27 | Queensland | AE (SB) P/L | 100.00% |
| PL 71 | Queensland | AE (SB) P/L | 100.00% |
| PL 264 | Queensland | AE (SB) P/L | 100.00% |
| PL 30 | Queensland | AE (SB) P/L | 90.00% |
| PL 512 | Queensland | AE (SB) P/L | 84.00% |
| PPL 22 | Queensland | AE (SB) P/L | 84.00% |
| ATP 647 (PCA 246) | Queensland | AE (SB) P/L | 100.00% |
| Newstead Gas storage ¹ | Queensland | AE (SB) P/L | 100.00% |
| ATP 1190 (Weribone) | Queensland | AE (SB) P/L | 50.64% |
| ATP 1190 (Bainbilla) | Queensland | AE (SB) P/L | 24.75% |
| ATP 2028 | Queensland | AE (SB) P/L | 50.00% |
| ATP 2029 | Queensland | AE (SB) P/L | 100.00% |
| ATP 2030 | Queensland | AE (SB) P/L | 100.00% |
| ATP 2032 | Queensland | AE (SB) P/L | 100.00% |
| ATP 2034 | Queensland | AE (SB) P/L | 100.00% |
| ATP 2035 | Queensland | AE (SB) P/L | 100.00% |
| ATP 2041 | Queensland | AE (SB) P/L | 100.00% |
| EP 171 | Northern Territory | McArthur NT Pty Ltd | 100.00% |
| EP 174 | Northern Territory | McArthur NT Pty Ltd | 100.00% |
| EP 176 | Northern Territory | McArthur NT Pty Ltd | 100.00% |
| EP 190 | Northern Territory | McArthur NT Pty Ltd | 100.00% |
| EP 191 | Northern Territory | McArthur NT Pty Ltd | 100.00% |
| EP 192 | Northern Territory | McArthur NT Pty Ltd | 100.00% |
| PEP 169 ² | Victoria | Armour Energy Ltd | 51.00% |
| PEP 166 ² | Victoria | Armour Energy Ltd | 25.00% |
| PRL 2 ² | Victoria | Armour Energy Ltd | 15.00% |
| PEL 112 | South Australia | Holloman Petroleum Pty Ltd | 100.00% |

| TYPE | LOCATION | OWNER | INTEREST |
|-------------------------|-----------------|----------------------------|----------|
| PEL 444 | South Australia | Holloman Petroleum Pty Ltd | 100.00% |
| PRL 50 | South Australia | Cordillo Energy Pty Ltd | 100.00% |
| PRL 51 | South Australia | Cordillo Energy Pty Ltd | 100.00% |
| PRL 52 | South Australia | Cordillo Energy Pty Ltd | 100.00% |
| PRL 53 | South Australia | Cordillo Energy Pty Ltd | 100.00% |
| PRL 54 | South Australia | Cordillo Energy Pty Ltd | 100.00% |
| PRL 55 | South Australia | Cordillo Energy Pty Ltd | 100.00% |
| PRL 56 | South Australia | Cordillo Energy Pty Ltd | 100.00% |
| PRL 57 | South Australia | Cordillo Energy Pty Ltd | 100.00% |
| PRL 58 | South Australia | Cordillo Energy Pty Ltd | 100.00% |
| PRL 59 | South Australia | Cordillo Energy Pty Ltd | 100.00% |
| PRL 60 | South Australia | Cordillo Energy Pty Ltd | 100.00% |
| PRL 61 | South Australia | Cordillo Energy Pty Ltd | 100.00% |
| PRL 62 | South Australia | Cordillo Energy Pty Ltd | 100.00% |
| PRL 63 | South Australia | Cordillo Energy Pty Ltd | 100.00% |
| PRL 64 | South Australia | Cordillo Energy Pty Ltd | 100.00% |
| PRL 65 | South Australia | Cordillo Energy Pty Ltd | 100.00% |
| PRL 66 | South Australia | Cordillo Energy Pty Ltd | 100.00% |
| PRL 67 | South Australia | Cordillo Energy Pty Ltd | 100.00% |
| PRL 68 | South Australia | Cordillo Energy Pty Ltd | 100.00% |
| PRL 69 | South Australia | Cordillo Energy Pty Ltd | 100.00% |
| PRL 70 | South Australia | Cordillo Energy Pty Ltd | 100.00% |
| PRL 71 | South Australia | Cordillo Energy Pty Ltd | 100.00% |
| PRL 72 | South Australia | Cordillo Energy Pty Ltd | 100.00% |
| PRL 74 | South Australia | Cordillo Energy Pty Ltd | 100.00% |
| PRL 75 | South Australia | Cordillo Energy Pty Ltd | 100.00% |
| PRL 124 | South Australia | Cordillo Energy Pty Ltd | 100.00% |
| PRL 248 | South Australia | Cordillo Energy Pty Ltd | 100.00% |
| Kanywataba Block | Uganda | AE (Uganda) SMC Ltd | 16.82% |

Notes:

1. The Newstead Storage Facility sits mostly within PL 27 and also straddles PL 14. It is a depleted underground natural gas reservoir that is currently utilised as a storage facility, i.e. it is used for injection and withdrawal of gas. The Newstead Storage Facility has a capacity of approximately 7.5PJ of gas
2. Joint Venture with Lakes Oil NL

Glossary

| | |
|----------------------------|--|
| AE (SB) P/L | Armour Energy (Surat Basin) Pty Ltd |
| AE (Uganda) SMC Ltd | Armour Energy (Uganda) SMC Ltd |
| ATP | Authority to Prospect |
| Bbl | Barrels - the standard unit of measurement for all oil and condensate production. One barrel = 159 litres or 35 imperial gallons |
| EL | Exploration Licence |
| EPP | Exploration Permit - Petroleum |
| FY | Financial Year |
| GJ | Gigajoule = 10^9 joules |
| GJe | Gigajoule equivalent |
| LPG | Liquid petroleum gas |
| PCA | Potential Commercial Area |
| PEL | Petroleum Exploration Licence |
| PEP | Petroleum Exploration Permit |
| PJ | Petajoule |
| PJe | Petajoule equivalent |
| PL | Petroleum Lease |
| PPL | Petroleum Pipeline Licence |
| PRL | Petroleum Retention Lease/Licence |
| Q, Qtr | Quarter |
| TCF | Trillions of standard cubic feet of gas |
| TJ | Terajoule |
| TJ/day | Terajoules per day |
| YTD | Year to date |

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

ARMOUR ENERGY LIMITED

ABN

60 141 198 414

Quarter ended ("current quarter")

31-Dec-21

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 1.0 Cash flows from operating activities | | |
| 1.1 Receipts from customers | 5,372 | 10,418 |
| 1.2 Payments for | | |
| (a) exploration & evaluation (if expensed) | - | - |
| (b) development (capitalised) | (412) | (600) |
| (c) production (including COGS and Royalties) | (4,055) | (6,739) |
| (d) staff costs | (2,067) | (3,555) |
| (e) administration and corporate costs | (489) | (1,103) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 3 | 3 |
| 1.5 Interest and other costs of finance paid | (828) | (1,699) |
| 1.6 Income taxes paid | - | - |
| 1.7 Government grants and tax incentives | - | - |
| 1.8 Other (provide details if material) | - | - |
| 1.9 Net cash from / (used in) operating activities | (2,476) | (3,275) |
| 2.0 Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) entities | - | - |
| (b) tenements | - | - |
| (c) property, plant and equipment | (326) | (537) |
| (d) exploration & evaluation (if capitalised) | (1,115) | (1,956) |
| (e) investments | 145 | 272 |
| (f) other non-current assets | - | - |
| 2.2 Proceeds from the disposal of: | | |
| (a) entities | - | - |
| (b) tenements | - | - |
| (c) property, plant and equipment | - | - |
| (d) investments | - | - |
| (e) other non-current assets | - | - |
| 2.3 Cash flows from loans to other entities | - | - |
| 2.4 Dividends received (see note 3) | - | - |
| 2.5 Other (provide details if material) | - | - |
| 2.6 Net cash from / (used in) investing activities | (1,296) | (2,221) |
| 3.0 Cash flows from financing activities | | |
| 3.1 Proceeds from issues of equity securities (excluding convertible debt securities) | 2,629 | 8,944 |
| 3.2 Proceeds from issue of convertible debt securities | - | 640 |
| 3.3 Proceeds from exercise of options | - | - |
| 3.4 Transaction costs related to issues of equity securities or convertible debt securities | (506) | (627) |
| 3.5 Proceeds from borrowings | - | 25 |
| 3.6 Repayment of borrowings | (2,225) | (4,425) |
| 3.7 Transaction costs related to loans and borrowings | - | - |
| 3.8 Dividends paid | - | - |
| 3.9 Other (provide details if material) Proceeds from funding partners | 1,168 | 1,168 |
| 3.1 Net cash from / (used in) financing activities | 1,066 | 5,725 |

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|--|----------------------------|---------------------------------------|
| 4.0 Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 Cash and cash equivalents at beginning of period | 5,293 | 2,358 |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above) | (2,476) | (3,275) |
| 4.3 Net cash from / (used in) investing activities (item 2.6 above) | (1,296) | (2,221) |
| 4.4 Net cash from / (used in) financing activities (item 3.10 above) | 1,066 | 5,725 |
| 4.5 Effect of movement in exchange rates on cash held | - | - |
| 4.6 Cash and cash equivalents at end of period | 2,587 | 2,587 |

| 5.0 Reconciliation of cash and cash equivalents <i>at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts</i> | Current quarter \$A'000 | Previous quarter \$A'000 |
|---|----------------------------|-----------------------------|
| 5.1 Bank balances | 2,587 | 5,293 |
| 5.2 Call deposits | - | - |
| 5.3 Bank overdrafts | - | - |
| 5.4 Other (provide details) - see below | - | - |
| 5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 2,587 | 5,293 |

Other

The Company holds additional restricted and not immediately available cash which has not been included above. Armour also holds an Interest Reserve Deposit Account with a balance of \$2.1m at 31 December 2021. This is a requirement under the terms of the amendments of the Senior Secured Amortising Notes. Following successful completion of the proposed demerger and IPO of McArthur, and retirement of debt, these funds would be returned to Armour. Armour holds a further \$5.6m cash held on deposit as security for the Tribeca facility.

| 6.0 Payments to related parties of the entity and their associates | Current quarter \$A'000 |
|---|----------------------------|
| 6.1 Aggregate amount of payments to related parties and their associates included in item 1 | - |
| 6.2 Aggregate amount of payments to related parties and their associates included in item 2 | - |

Note: If any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

| Financing facilities | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|---|--|---|
| 7.0 <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i> | | |
| 7.1 Loan facilities | 5,393 | 5,393 |
| 7.2 Credit standby arrangements | - | - |
| 7.3 Other (Secured & Amortising Notes) | 29,317 | 29,317 |
| 7.4 Total financing facilities | 34,710 | 34,710 |

7.5 Unused financing facilities available at quarter end

-

Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If

7.6 any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Tribeca

26 July 2018 | \$6.8 million (Secured Environmental Bond Facility) | 9.0% per annum Coupon rate payable (quarterly in arrears). The facility has been extended to mature on 30 April 2022. At 31 December 2021, the Tribeca facility is \$5.4 million. Armour still holds \$5.6m cash on deposit as security for this facility.

Senior Secured Amortised Notes

29 March 2019 | \$55 million (Secured and Amortising Notes) | 8.75% per annum Fixed Interest payable (quarterly in arrears). Maturing on 29 March 2024. Principal repayments of \$2.2 million was made in the December Quarter, bringing the outstanding facility to \$29.3 million. A further \$2.1m is being held on trust in an Interest Reserve Account under the current requirements of the Notes.

| 8.0 Estimated cash available for future operating activities | \$A'000 |
|---|------------|
| 8.1 Net cash from / (used in) operating activities (Item 1.9) | (2,476) |
| 8.2 Capitalised exploration & evaluation (Item 2.1(d)) | (1,115) |
| 8.3 Total relevant outgoings (Item 8.1 + Item 8.2) | (3,591) |
| 8.4 Cash and cash equivalents at quarter end (Item 4.6) | 2,587 |
| 8.5 Unused finance facilities available at quarter end (Item 7.5) | |
| 8.6 Total available funding (Item 8.4 + Item 8.5) | 2,587 |
| 8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3) | 0.7 |

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

The cash generating ability of the Kincora Plant is expected to increase with the Group's planned 2021 work program commencing in January 2022 while continuously looking at opportunities to uplift production where possible. The recovery of Gas, LPG, Oil and Condensate prices are also expected to continue, with very favourable prices in comparison to prices we have realised in recent times.

The Company is continuing its cost reduction initiatives including payments in shares, minimisation of field expenditures and administration costs and overheads.

In addition, the group have progressed various agreements to assist with production uplift and reduce levels of capital expenditure through various strategies.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

Funds were received in January 2022 for Redeemable Exchangeable Notes in McArthur. These funds form part of the pre-IPO funding of the new companies incorporated for the Northern Basin Exploration Assets expected to occur in H1 2022.

Armour is continuing its focus on its core assets. Armour announced on 3 March 2021, plans to demerge and IPO a new company to unlock the value of its Northern Basin Exploration assets.

The Company can manage capital and liquidity by taking some or all of the following further actions:

- Raising additional capital or securing other forms of financing, as and when necessary to meet the levels of expenditure required to meet the Group's working capital requirements. In addition, Armour continues its focus on issuance of McArthur pre-IPO Redeemable Exchangeable Notes;
- Seeking further opportunities to settle liabilities through an issuance of equity;
- Reducing its level of capital expenditure through farm-outs and/or joint ventures;
- Managing its working capital expenditure;
- Applying for Government incentives; and
- Disposing of non-core assets.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Yes, on the basis described above together with cost reduction initiatives, the disposal of non-core assets and the renegotiated terms of its funding facilities, Armour will be able to continue its operations and its ability to meet business objectives.

Compliance statement

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.

Date: **31-Jan-22**

Author: **The Board of Directors**

(Name of body or officer authorising release – see note 4)

Notes

- This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
- If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
- Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
- If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
- If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.