Annual Report

For the year ended 30 June 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 at 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 under the supervision of Mr. Michael Laurent, Chief Operating Officer, Armour Energy Limited. Mr Laurent's qualifications include being a professionally registered engineer in both Australia and Canada, has over 20 years of diverse oil and gas industry experience and has successfully held various senior managerial and GM positions. His career spans a number of sectors and includes expertise in reservoir, drilling, facilities, production and operations with particular emphasis on resource and business development. Experience is underpinned with strong strategic, commercial and technical acumen in both conventional and unconventional reservoirs. Prior to joining Armour Energy, Michael successfully held a variety of domestic and international technical leadership appointments. Most recently he worked for Santos where he was responsible for managing Cooper Basins oil and gas appraisal/development wells and field optimisation initiatives from inception through to approval and implementation. Mr Laurent has sufficient experience that is relevant to Armour's reserves and resources to qualify as a Reserves and Resources Evaluator as defined in the ASX Listing Rules. Mr Laurent has consented to the inclusion in this report of the matters based on his information in the form and context in which it appears.

SPE-PRMS

Society of Petroleum Engineer's Petroleum Resource Management System - Petroleum resources are the estimated quantities of hydrocarbons naturally occurring on or within the Earth's crust. Resource assessments estimate total quantities in known and yet-to-be discovered accumulations, resources evaluations are focused on those quantities that can potentially be recovered and marketed by commercial projects. A petroleum resources management system provides a consistent approach to estimating petroleum quantities, evaluating development projects, and presenting results within a comprehensive classification framework. PRMS provides guidelines for the evaluation and reporting of petroleum reserves and resources (June 2018).

Under PRMS

"Reserves" are those quantities of petroleum which are anticipated to be commercially recovered from known accumulations from a given date forward. All reserve estimates involve some degree of uncertainty. The uncertainty depends chiefly on the amount of reliable geologic and engineering data available at the time of the estimate and the interpretation of these data. The relative degree of uncertainty may be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Unproved reserves are less certain to be recovered than proved reserves and may be further sub-classified as probable and possible reserves to denote progressively increasing uncertainty in their recoverability.

"Contingent Resources" are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterised by their economic status.

Contents Page

Primed for growth & focused on delivery

Our Business

Our Purpose

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

Our Vision

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

Our Values

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

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

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

We have an **owners mindset**.

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

Chairman's Report

Dear Shareholders,

As Executive Chairman of Armour Energy I am acutely aware that the year to 30 June 2022 has brought its fair share of frustration and disappointment to our hopes and aspirations for the Company as reflected in a distressed share price performance. However, I am very pleased to report that progress is now being made to move the business forward. Whilst a range of challenges were experienced during the last financial year, I remain confident in the Company's future prospects with the continued support of DGR Global Ltd.

A number of positive achievements were delivered over the 2022 financial year, these include that the Company continued to focus on reducing debt with the Senior Secure Debt being reduced by $8,800,000 or 26% and the Tribeca Facility reduced by $386,173 or 7%, that preparations were progressed for the drilling of the Enterprise North 1 well in the Otway Basin and that the Warroon #1 well was successfully fracture stimulated.

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

To assist with funding for future exploration programs and to help accelerate the repayment of the Amour debt position, the Company is continuing to actively progress further asset transactions. In May 2022 Armour agreed binding terms with PZE Limited for an emissions reduction partnership and a divestment of working interests in the Waldegrave JV and Snake Creek East JV. The proposed demerger and separate ASX listing of Armour's Northern Basin Oil & Gas Business into McArthur Oil & Gas has not progressed as swiftly as initially anticipated. Further revisions to the proposed demerger structure are being considered to ensure that acceptable commercial and taxation outcomes would be achieved following further recent feedback from the Australian Taxation Office that income tax demerger relief is unlikely to be available in relation to the proposed McArthur demerger and IPO transaction.

Over the next 12 months, Armour will continue to focus on:

- The drilling of the Enterprise North 1 well in the Otway Basin.
- Executing the seriatim of planned Surat "in-well-bore" opportunities and partner with industry partners to increase gas production.
- Securing a Surat gas sales contract which will ensure that the realised gas price is significantly higher than the current contract price.
- Completing the proposed demerger and IPO of the Northern Basin Business into McArthur Oil & Gas or divestment of the assets.
- Reducing the operating costs across the business, managing cashflow and improving profitability.
- Reducing the Company's debt burden restructuring the balance sheet.
- Progressing exploration activity in the newly acquired Cooper-Eromanga Basins acreage as well as the existing Surat Basin acreage with a view of high-grading the leads and prospects portfolio.

The market for gas on the East Coast continues to be strong. Spot gas prices at Wallumbilla have exceeded expectations over the last months, Armour remains confident that prices will continue to provide a strong market demand and prices for our products. Armour believes it's substantial 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 production assets in the Surat Basin in Queensland provide it with strategic diversity. Maturing these assets will help support the demands of the East Coast Australian Gas markets.

In conclusion, I would like to express my gratitude to the Company's shareholders and external stakeholders 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 for our shareholders.

Yours sincerely

Nicholas Mather
Chairman

Operating and Financial Review

Executive Summary

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

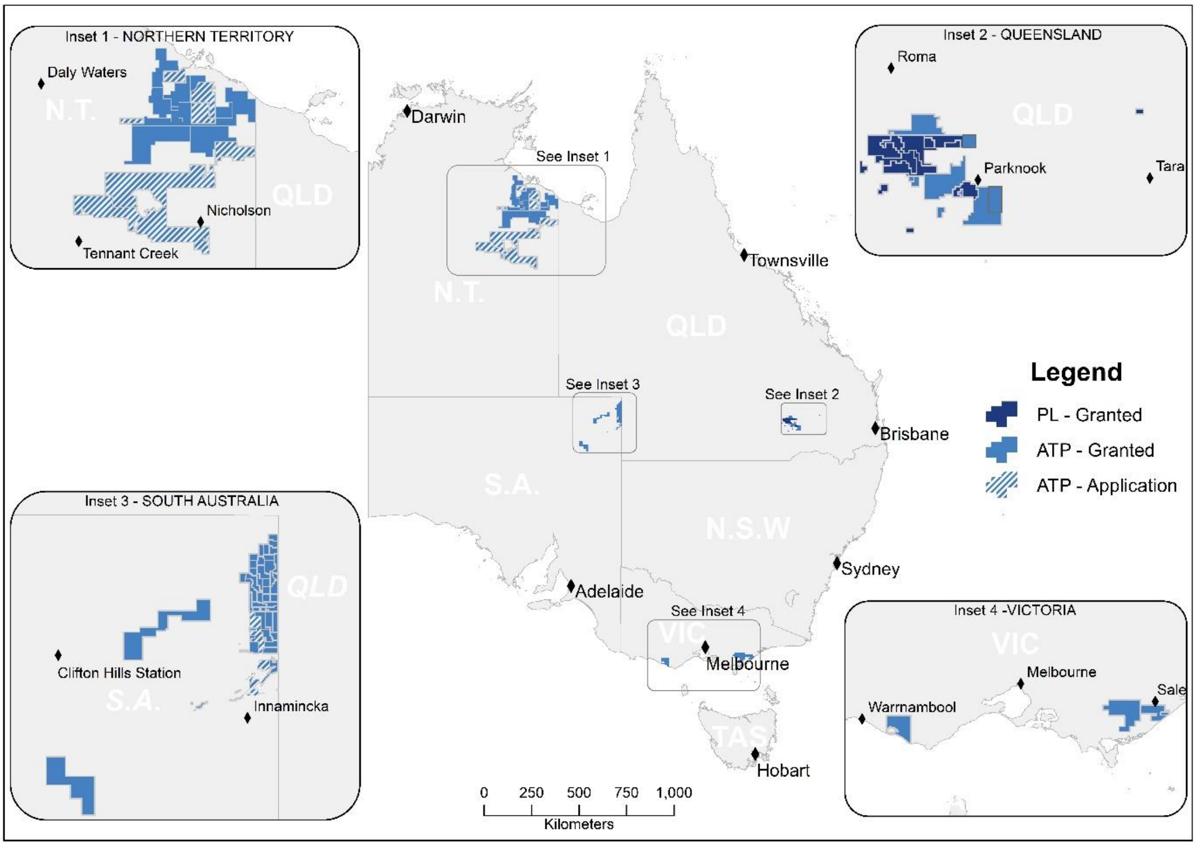


Figure 1 – Summary of Armour's assets and locations

Key Points

- Armour continued to reduce its debt under the Secured Amortising Notes by $8.8 million.
- Armour established an equity-based settlement mechanism to reduce its debt under the Tribeca Facility.
- Armour agreed binding terms with PZE Limited for an emissions reduction partnership and a divestment of working interests in the Waldegrave JV and Snake Creek East JV.
- Warroon#1 re-stimulation work program, 100% funded by partners, was delivered thereby reducing unit production costs.
- Myall Creek #2 workover, 100% funded by partners, was delivered.
- Corporate initiatives progressed to provide funding and to realise value from Armour's project portfolio.
- CEO Christian Lange appointment progressed during the financial year.
- As part of the annual impairment review, $1.0 million was recognised as an impairment across oil and gas assets, and exploration and evaluation assets.

Strategy

To support Armour's growth strategy, it has continued to focus on the below priorities for the 2022 calendar year:

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

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

Operating Review

Surat Basin Assets

Kincora Gas Project Overview

The Company delivers gas to the Eastern Australian market from its Kincora Gas Project. Kincora achieved 96% operational time for the fourth full year of operation (FY2021: 95%) and an average production of approximately 4.9 TJ/day (FY2021: 6.2 TJ/day) of sales gas plus associated liquids.

Average Production per day*	FY2022	FY2021	Change
Gas (TJ)	4.9	6.2	(20%)
LPG (T)	7.8	10.2	(24%)
Oil/Condensate (BBL)	102.7	121.7	(16%)

Table 1 – Kincora average production

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

Kincora also produced an average of approximately 103 barrels (FY2021: 122 barrels) of oil and condensate per day, and approximately 8 tonnes (FY2021: 10 tonnes) per day of Liquid Petroleum Gas (LPG). Oil and condensate are sold ex-Kincora and transported to local Queensland refineries. LPG is sold at the Kincora Gas Plant and on-sold mostly in Queensland, New South Wales, and South Australia, providing energy for transport, heating, and agricultural enterprises.

Armour, like many other companies, continued to be affected by COVID-19 during the financial year. The Company continued to manage its cost base while maintaining operations in these challenging times.

Kincora Gas Reserves Update

Armour performed a review of its oil and gas reserves position. The work was conducted by Armour Energy's qualified technical team of Geoscientists and Engineers and completed in accordance with the definition and guidelines of the 2018 Petroleum Resources Management System (PRMS, 2018) approved by the SPE/AAPG/WPC/SPEE. The workflow was independently reviewed and certified by Teof Rodrigues from Teof Rodrigues & Associates for financial year 2022 (30 June 2022). See Table 2.

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

Highlights from the 30 June 2022 Certified Reserves Report:

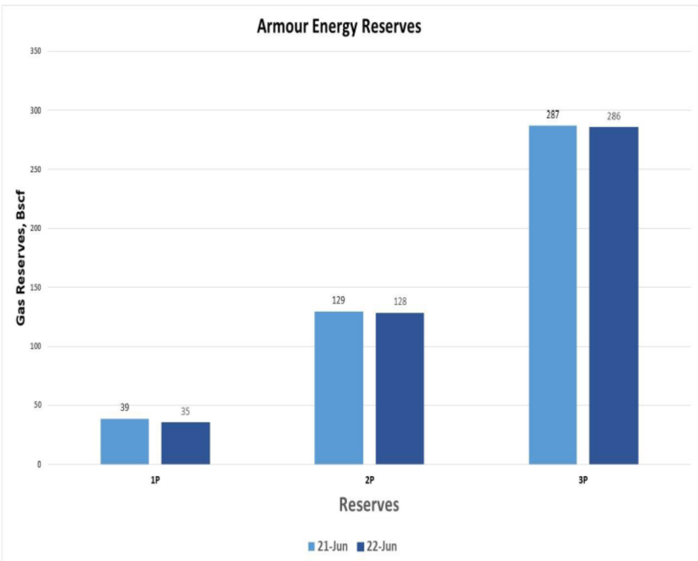
- 2P oil reserves numbers lowered primarily from produced FY2022 volumes.
- 2P gas reserves numbers lowered only from produced FY 2022 volumes.
- Material long term potential continues to be demonstrated across the wider Kincora Project.
- Reserves independently verified.

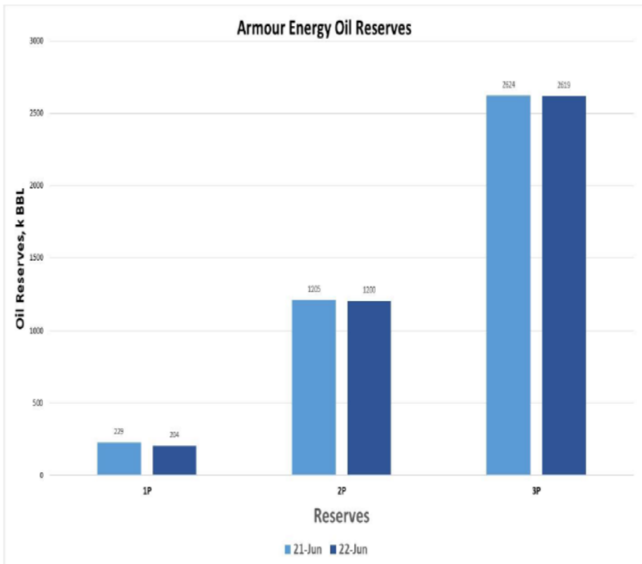
Kincora Gas Project	1P	2P	3P
Gas (Bscf)	35	128	286
Sales Gas (PJ)	39.8	145.8	325.2
LPG (k Tonnes)	82	301.1	671.5
Condensate (k Bbl)	396	1449	3232
Oil (k Bbl)	204	1200	2610

Table 2 – Combined Armour Energy Reserves

Notes to Table 2

- Petroleum reserves are classified according to SPE-PRMS.
- Petroleum reserves are stated on risked net basis with historical production removed
- Petroleum reserves have no deduction applied for gas used to run the process plant estimated at 5 to 10%
- Petroleum reserves can be sold on behalf of any minority interest holder
- BSCF = billion cubic feet, PJ = petajoules, bbls = barrels, gas conversion 1.137 PJ/BCF
- 1P = Total Proved; 2P = Total Proved + Probable; 3P = Total Proved + Probable + Possible.
- LPG Yield 2,065 tonnes/petajoules, Condensate Yield 9,938 barrels/petajoules





Figures 2 and 3 – Gas and oil reserve comparison charts

Armour remains encouraged by the potential of new pay zones across existing well stock and is looking to exploit them in the upcoming work program. Identifying these bypassed pay zones were only possible due to the advancements in logging technology allowing for the identification of mineralogically complex sandstones with hydrocarbon saturation suitable for hydraulic stimulation.

Figure 4 – Kincora Plant

Kincora Production Enhancement Activities

Armour remains focussed on Surat Basin production enhancement work streams. Targeted increased gas production both from in well bore production enhancement programs (including the near-term in-well-bore program outlined below) and proposed new production wells is expected to reduce unit production costs materially. Armour is also investigating opportunities for production facility sharing and rationalisation in its Surat operating area to further reduce production costs.

The Warroon #1 well was successfully fracture stimulated in January 2022. Since then, the well has been steadily recovering frac fluids via the gathering network. The well has now recovered the equivalent total volume of the injected stimulation fluids and gas rates have increased each month since the activity was executed, achieving a high of close to 600 MSCF/D. Currently rates have stabilised around 550 MSCF/D with condensate production at 14 BBLS/D. An intermitter unit is being employed to cycle the well up to 4 times per day to promote liquids recovery. And while this is a positive result, the well is currently being assessed for further optimisation opportunities to improve production. This may include a coil tubing conveyed velocity string or a plunger lift system.

Myall Creek #2 continues to flow gas to sales via the Myall Creek compressor station. The Tinowon C has previously been confirmed as a potentially suitable fracture stimulation target. Additional reservoir and petrophysical work is progressing, with data collected, to consider the viability of other intervals for stimulation, namely the Back Alley, Bandana and Basal Rewan formations. Both a single and multi-stage facture stimulation project are under consideration. The intent is to complete the technical analysis shortly and, if the further fracture stimulation(s) are considered viable, undertake a stimulation program in late Q3-2022/early Q4 pending equipment availability. With the support of our funding partner, Armour will continue to be 100% free carried through the next phase of activity.

Armour has developed a seriatim of "in-well-bore" opportunities planned to be executed over the second half of 2022 in its Queensland Surat assets. The programme is designed to target a range of initiatives to arrest premature decline, restore production and access bypassed pay zones. The programme includes the installation of automated intermitter units, connection of an existing stranded well bore, installation of well head oil pumping facilities, and recompletions including a well clean out, sucker rod pump install and recompletions targeting behind pipe bypassed pay.

The culmination of this work programme is targeting a combined (initial production rate) uplift of 1.5 MMSCF/D and 10 BBLS/D of crude oil. Works are scheduled to commence from July 2022.

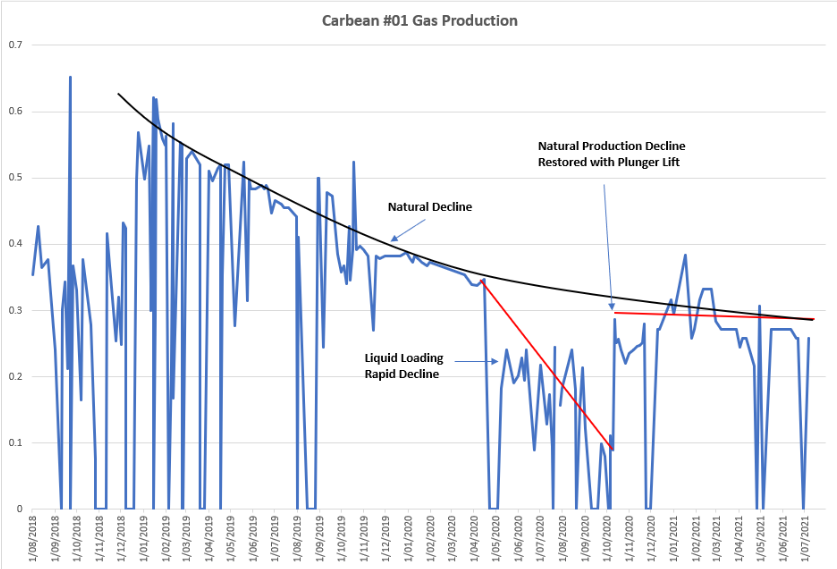


Figure 5 – Carbean #01 Logging

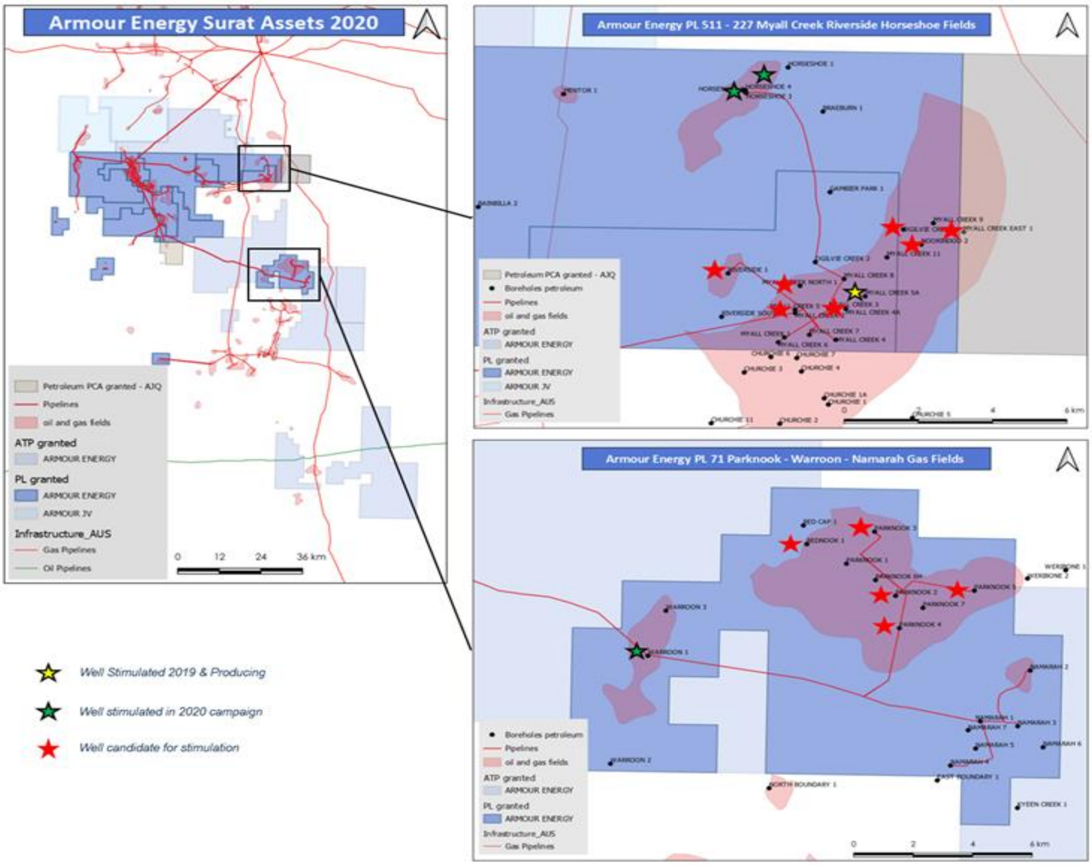


Figure 6 – Armour Surat Basin Assets

Figure 7 – Myall Creek #3 Linear Rod Pump

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.

The exploration strategy is underpinned by extracting further value in existing areas with existing 3D coverage including Myall Creek Gas Field area as well as progressively acquiring new 3D seismic across priority areas defined by comprehensive remapping of legacy 2D seismic data across the Surat PL's. New 3D seismic data will provide a superior understanding of the structural and stratigraphic complexities of the target areas, compared to the existing legacy 2D seismic, by utilising world class nodal technology, thereby unlocking the significant remaining prospectivity of the areas and providing numerous low-risk, highly economic drill ready prospects targeting both gas and oil. Proximity to Armour's infrastructure will provide rapid monetisation of discovered hydrocarbons.

Throughout the Reporting Period Armour progressed planning activities for 3D seismic acquisition in 2022 to de-risk drilling opportunities in the PL22, PL53, PL89, PL227, PL511 and ATP-2032P asset areas . The planning included an initial feasibility study followed by detailed design work, stakeholder engagement and work tendering. These plans have been accelerated following a farm-in arrangement with Gas2Grid (refer Commercial Section). The total 3D seismic area to be acquired will be approximately 400 km2, larger than any 3D Seismic survey ever completed in the Surat Basin and represents the first seismic acquisition in the project area in 25 years.

Geophysical attribute analysis of the Myall Creek 3D seismic identified an anomaly north east of the Myall Creek field which has been one of the most prolific fields within Armour's Surat acreage. Armour was sufficiently encouraged to proceed with testing feasibility of detailed inversion processing of the Myall Creek 3D seismic dataset, with the key objective to delineate reservoir facies distribution within the Tinowon Formation across the area. Results of the feasibility work are currently being analysed with a view to proceeding to production inversion processing of the full 3D seismic volume in Q1 2022 calendar year. Interpretation of the inversion dataset is anticipated to lead to identifying further drilling opportunities across the Myall Creek area for potential drilling in Q3/Q4 2022 calendar year.
In addition, advanced wireline logging and petrophysical re-evaluation of the Myall Creek and Riverside gas fields indicates significant bypassed pay in the Permian and Triassic reservoirs within existing wellbores in these fields. Structurally high locations within the greater Riverside field identified on 3D seismic also provide attractive appraisal/development opportunities. Technical workflows have been maturing these opportunities, with follow-up drill and fracture stimulation operations planned for 2022.

Victoria Assets

Preparations are progressing for the drilling of the Enterprise North 1 well in the Otway Basin following the lifting of the drilling moratorium in Victoria.

The Enterprise North prospect is in Victorian tenement, PEP 169 (Armour 51% interest and operator) and is on trend with the Enterprise 1 discovery (Beach Energy) and Minerva gas field (Cooper Energy).

New transition 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 well flowed on test at 61 million scfd and 2P gas reserves of 161PJ have been assessed (Beach Energy Ltd - ASX release 15 February 2021).

The Enterprise North 1 prospect is well located relative to gas pipeline, 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

McArthur Basin

Armour holds a commanding position in the McArthur Basin.

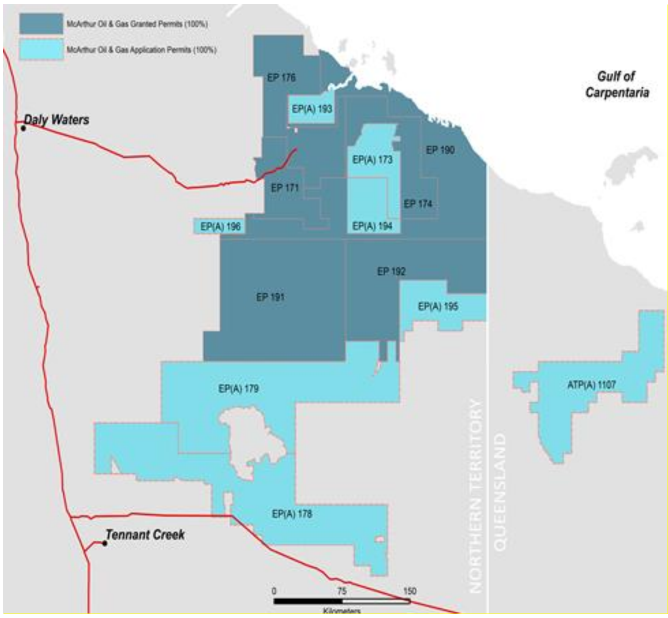


Figure 8 – Location Map of granted Permits and Application Blocks that form the Northern Basin Business

The Northern Basin Business consists of:

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

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

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

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

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

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

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

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

Resource Update

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

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

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

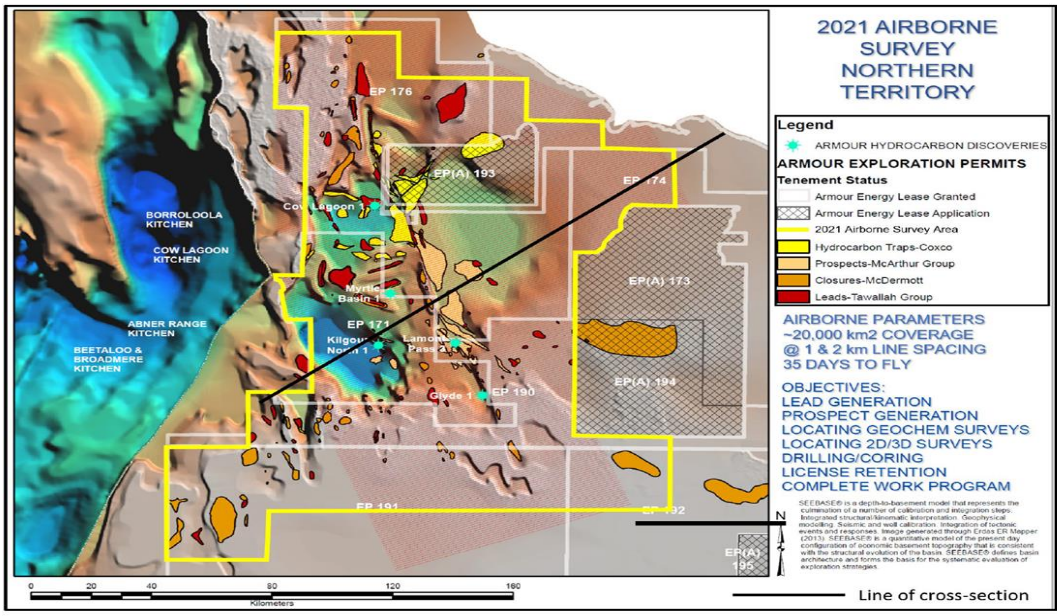
	Unrisked Gross (100%) Contingent Gas Resource (BCF)			
	Low estimate (1C)	Best estimate (2C)	High estimate (3C)	Mean
Total (EP 171)	-	6	53	7

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

Northern Territory Exploration

Between late June and late July Armour completed the acquisition of a 20,000 km^2 airborne geophysical survey, which was the largest airborne survey of its type to be undertaken in the Northern Territory. The survey was aimed at detecting anomalies in areas of upward fluid flow of migrating hydrocarbons above fluid pathways and/or hydrocarbon accumulations. The survey was designed to provide information over existing prospects and leads, and a regional context upon which to plan future follow up exploration work

The survey covered all or substantial portions of six (6) exploration permits (EPs 171, 174, 176, 190, 191 and 192) These permits cover the highly prospective Batten Fault Zone and several oil and gas play fairways, including the proven Coxco Dolomite Play (Glyde gas discovery), which encompass 193 conventional prospects and leads within McArthur and Tawallah Group reservoirs identified by previous exploration work. See Figure 9 for the map of the survey area.



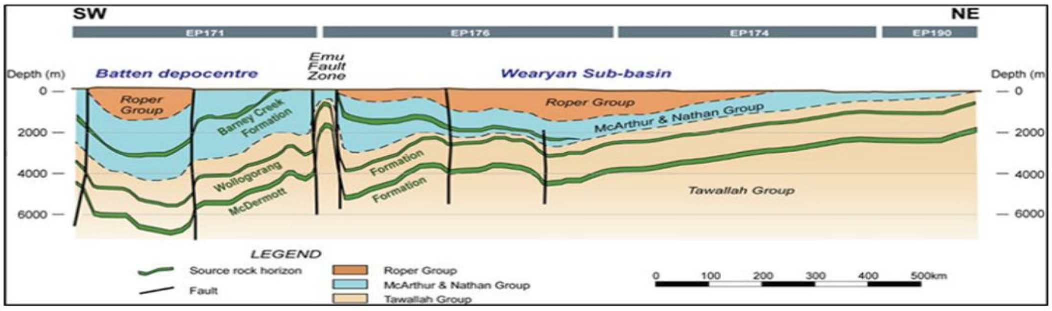


Figure 9 – Map and cross section over the area covered by the Airborne Geophysical Survey

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

The survey was conducted out of the Town of Borroloola and was completed ahead of schedule and within budget. Importantly, the survey was both non-invasive and had a very low environmental impact, and all landholders within the coverage area had been notified of the airborne programme. The data acquired during the survey is high quality and is being incorporated into the regional evaluation of the area.

Figure 10 – Pre-dawn preparations Boroloola Airport

Cooper Basin Assets

Cooper Basin Overview

Armour holds 30 licences in the South Australian portion of the Cooper Basin. This makes Armour the 3rd largest net acreage holder in is area. Many of the licences contain legacy 3D seismic data coverage.

Armour currently holds 100% interest in all licences. Petroleum Exploration Licence ("PEL") 112 and PEL 144 cover 1,086 km^2 and 1,166 km^2 respectively and newly awarded PEL 677 covers 545 km^2. 27 Petroleum Retention Licences ("PRL's") cover a total 2,445 km^2. In these PRLs Senex Energy (now a part of K-A Energy 1 Pty Ltd, the subsidiary nominated by POSCO INTERNATIONAL corporation in a recent scheme of arrangement) retains a 20% back in right at cost, subject to certain conditions, following the drilling of a well.

Cooper Basin Exploration

During the year the Company undertook technical desk studies utilising the company's knowledge of the both the Cooper basin and the Surat Basin which have many geological similarities. 3D seismic Quantitative Interpretation work was carried out along with the application of Artificial Intelligence evaluation of the 3D data. This work incorporated a variety of data sets as well as Armour's basin experience.

The focus of the exploration efforts has been on areas with existing 3D seismic coverage aimed at demonstrating the extension of the Western Flank Oil Fairway in South Australia across the Company's portfolio of acreage. The work aims to identify stratigraphic and subtle trends and traps which are known to produce oil on the successful oil rich Western Flank of the Cooper Basin. Advanced planning has been undertaken for the acquisition of an AEM-PTP passive electromagnetic survey to locate geophysical responses related to the upward flow of migrating proliferous and/or metalliferous fluids along with micro-seepage from hydrocarbon accumulations. This is a risk reduction exercise and a low-cost way to rapidly cover large areas in a reconnaissance survey.

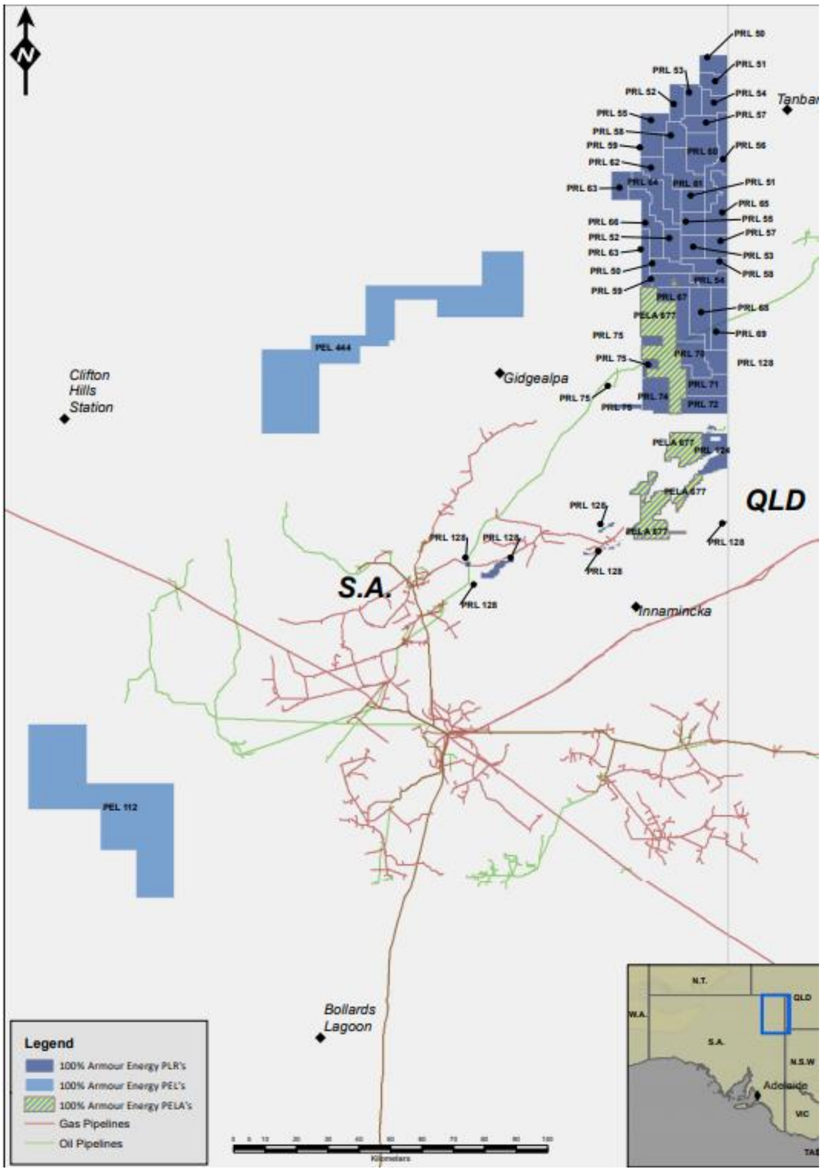


Figure 11 – Location map of the Cooper Eromanga assets

Uganda Assets

Uganda Oil Project Overview

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

Uganda Exploration

The Company has identified multiple developed (untested) on-trend structural traps (3-way and 4-way dip closures) and multiple untested stratigraphic traps. NSAI have independently estimated a Mean Unrisked recoverable prospective resource estimate of 219 mmbls. This prospective resource estimate will be updated following the 2D seismic program and surface geochemistry study in 2022.

Over 160 line kilometre of new 2D seismic has been acquired and processed to improve prospect definition pre 2023 drilling.

Armour Energy Uganda is planning for its first exploration well which is proposed to be the deepest well ever drilled in the Albertine Graben at approximately 4000m vertical depth.

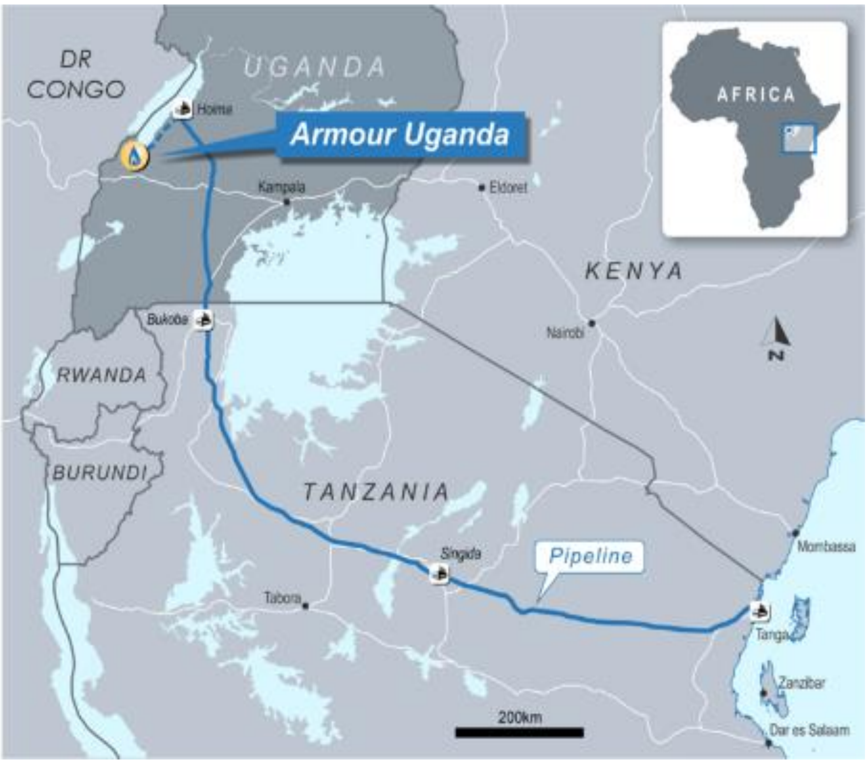


Figure 12 – Location map of the Uganda assets

Corporate Activities

Capital Raising

A capital raising on 27 September 2021 comprised the following components:

- $5.7 million of New Shares with attaching AJQOA $0.05 options expiring on 29 February 2024.
- $2.4 million of Conditional Placement with attaching AJQOA $0.05 options expiring on 29 February 2024 that were subject to shareholder approval, which was granted on 25 November 2021 with the options issued on 23 December 2021.

Secured Amortising Notes Facility

In 2019 Armour raised $55 million of funds through the issues of secured and amortising notes (Notes). The Notes have a repayment schedule through until 29 March 2024. In April 2022 Armour received approval from Noteholders for amendments to the Conditions of the Secured Amortising Notes. The approved amendments include:

In short, the approved amendments include the following:

1. Waiver of any breach of certain Financial Undertakings including the Debt Service Cover Ratio and the Leverage Ratio that may have arisen prior to the date on which the Circulating Resolution is passed;
2. Amendments to Financial Undertakings, including the Debt Service Cover Ratio and the Leverage Ratio Armour must maintain;
3. Amendments to increase a certain limit on incurring Financial Indebtedness;
4. Consent from Noteholders to extend the due date for the environmental bonding finance facility.

Executive Leadership Team

Christian Lange was appointed to CEO and commenced his role on 25 July 2022. Mr Lange is a highly experienced executive within both the Australian and International resources industries, having spent over 30 years in executive and operational roles globally. Christian was an executive at leading global oil and gas field services provider, Schlumberger where he spent 18 years in executive and operational management in

Australia/NZ, the Middle East, the United Kingdom, Venezuela and the USA. Christian was also previously the Managing Director and CEO of ASX listed Neptune Marine Services, a company that he developed from a single technology start up, to a company employing over 700 people and operating in major offshore provinces. Recently, Christian was the Founder and Managing Director of Griffin Energy Solutions, a specialist well engineering and project management company. Christian holds an MBA from the Curtin Graduate School of Business and is a member of the Society for Petroleum Engineers (SPE).

Mr Geoff Walker was appointed as Chief Financial Officer and joint Company Secretary of the Company. Mr Walker is a chartered accountant and member of the Australian Institute of Company Directors. He has 30 plus years of financial and commercial experience including previous Chief Financial Officer roles with ASX listed Eagers Automotive Limited, Range International Limited and Kina Petroleum Limited. Mr Walker brings extensive experience formulating and executing strategic initiatives while managing change and growth. Mr Walker is also currently CFO and Company Secretary for DGR Global Ltd, Armour's largest shareholder and through this role he has a good working knowledge of Armour's business and strategic objectives

Financial Review

Results for the financial year		2022	2021	Change	Change %
Sales Revenue	$'000	17,985	17,502	483	3%
Average Realised Sales Price	$AUD	6.40	5.90	0.50	8%
EBITDA (Non-IFRS measure)	$'000	(2,210)	(3,621)	1,326	(37%)
Exploration Expenditure	$'000	(2,742)	(5,217)	2,475	47%
Non-Cash Impairment	$'000	(1,004)	(12,353)	10,589	91%
Statutory NPAT	$'000	(11,006)	(11,592)	1,800	16%
Operating Cashflow	$'000	(2,888)	(7,062)	5,219	74%
Development Spend	$'000	(2,271)	(11,123)	10,286	92%
Cash Balance	$'000	3,255	2,358	898	38%
Debt (excl. transaction costs)	$'000	(35,717)	(39,110)	2,157	6%
Earnings Per Share - Basic	c.p.s	(0.6)	(1.0)	0.4	40%
Earnings Per Share - Diluted	c.p.s	(0.6)	(1.0)	0.3	43%

Table 5 – Summary of financial results

Sales Revenue

Year-on-year sales were 3% higher due to higher average prices received during the year.

Development Expenditure

Armour's Development Expenditure of $0.8 million primarily represents the 2021/22 Work Program (2020/21: $11.1m) in the Surat Basin.

Non-cash impairment

As part of Armour's annual impairment review, there was a total of $1.0 million (2020/21: $12.4m) identified to be written-off. The impairment relates to various oil & gas assets including the relinquished ATP1107 and certain costs historically capitalised to the Northern Basin assets.

Debt

In 2022 Armour continued to reduce its total debt. The Secured Amortised Notes reduced by $8.8 million, to $24.9 million. With an original face value of $55 million, Armour has now reduced the Notes by over 50% and is scheduled to make the final principal repayment in March 2024.

Repayment of the Tribeca Facility held by the Company was also progressed by establishing an equity-based settlement mechanism.

McArthur NT Pty Ltd, a subsidiary of Armour, issued Redeemable Exchangeable Notes to the value of $5.9m during the year at an issue price of $1 and a coupon rate of 15%.

Financial performance and cash flows

	Consolidated 30-Jun-22	30-Jun-21
	$'000	$'000
Revenue from contracts with customers	17,985	17,502
Cost of goods sold	(16,641)	(22,151)
Gross profit/(loss)	**1,344**	**(4,649)**
Net (loss)/gain on sale of assets	(35)	15,857
Other income and expenses	(6,288)	(4,201)
Finance income	9	70
Finance expenses	(5,206)	(6,316)
Impairments	(1,004)	(12,353)
Income tax benefit	174	-
Loss after income tax expense	**(11,006)**	**(11,592)**

Table 6 – Financial Performance

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

	Consolidated 30-Jun-22	30-Jun-21
	$'000	$'000
Loss before income tax and net finance expenses	**(5,863)**	**(5,278)**
Add/(Less):		
Interest Received	(9)	(70)
Depreciation and Amortisation	2,623	5,231
Non-cash impairment	1,004	12,353
(Loss)/gain on disposal of PPE	35	(15,857)
EBITDA (non- IFRS measure)	**(2,210)**	**(3,621)**

Table 7 – EBITDA

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

Cash flow

	Consolidated 30-Jun-22	30-Jun-21c
	$'000	$'000
Net cash at the beginning of the year	**2,358**	**3,246**
Net cash (used in) operating activities	(2,888)	(7,062)
Net cash (used in)/from investing activities	(3,595)	4,773
Net cash from financing activities	7,380	1,401
Net cash at the end of the year	**3,255**	**2,358**

Table 8 – Summary of cashflows

In the year ended 30 June 2022, total net cash inflow was $897,000 million. The net cash outflow from operating activities was $2,888,000 million with $20,528,000 million of revenue positively contributing from operations.

Sustainability Report

Acknowledgement

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

Performance in 2022

713	0	0	1,131
Days Since Last Safety Incident	TFIFR	Recordable Environmental Incidents	Days since last reportable environmental incident

Armour continues to align itself successfully with the government guidance in regard to the ongoing management of Covid –19. We have special regard to the remote and small communities where we operate and will continue to put our employees, contractors and the communities first.

Health and Safety

The safety of our employees, contractors, and the communities where we operate continues to be Armour priority. We are constantly investing and enabling improvement in HSE and pride ourselves on our considered and practical approach.

For the 2022 financial year, Armour reported zero recordable incidents and has achieved well in excess of 1,000 days recordable incident free with the company TRIFR at 0. A Our 'Beyond 0' HSE action plan has focused on driving safety behaviours to ensure Armour workers operate with a low risk tolerance and that safety performance demonstrate that Armour is a credible safety organisation

Industry Collaboration

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

Environment

Armours operations are subject to environmental regulation under federal and state legislation. For the year ended 30 June 2022, Armour Energy reported outstanding environmental performance with zero recordable environmental incidents reported with 1,131 days reportable incident free.

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

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

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

Climate Change Disclosure

Climate change is one of the most significant challenges facing the world today and as a member of the energy industry, Armour recognises the important role it has to play. The world is transitioning to a low-carbon future, and climate change is an important political, social, environmental, and commercial issue. The Company recognises the increasing level of investor and regulatory expectation that the particular risks faced by the Company – and its stance generally on climate change issues – will be addressed in its Annual Report.

Armour is well positioned to contribute to a lower-carbon future through the production and supply of natural gas. Natural gas is widely recognised for its part in reducing global emissions. This stems from the fact that emissions from the combustion of natural gas per unit of energy produced are approximately 40% lower than coal. Furthermore, natural gas can significantly improve air quality in urban centres due to its comparative negligible particulate and Sulphur Oxide emissions, together with low Nitrogen Oxide emissions.

Natural gas is also an advantageous fuel for baseload and supplemental power generation supporting the increasing renewables sector, as gas-fired generation can be triggered from zero to full production in minutes and is 40% less carbon-intensive than coal-fired generation.

Whilst gas is a complimentary, transitional fuel supporting intermittent renewable energy generation, it is also important to note that natural gas is also used as a feedstock for many other applications including heating in foundry's and furnaces, plastics and petrochemicals, fertilisers and food manufacturing for which there are limited other viable alternatives.

Armour can confirm that for the period 2021- 2022, it met the corporate group thresholds prescribed by the National Greenhouse Gas Reporting (NGER) Act with reporting to be completed in October 2022.

The vast majority of the Company's gas-related infrastructure components (gas plant, gas pipelines, well-heads, compressors, and associated field equipment) are essentially "legacy assets" acquired from Origin Energy as part of the overall acquisition of the Kincora Gas Project near Roma in Queensland, which was completed in 2016. Based on the operation and maintenance of these assets during its period of ownership, Armour has established the following initiatives to reduce emissions and environmental impact:

- Reduction of "fugitive emissions" via leak management and preventative maintenance programs.
- Optimisation of staff movements and logistics to reduce road traffic and distance travelled in our operations and projects has led to a 50% reduction in the total kms travelled each month.

- Execution of the Kincora Stack Emission Monitoring Program to provide baseline air emission data for assessment against EPP Air regulatory emission framework. Results show that emissions are below the EPP Air Quality Objectives.
- New well site facility installations will include electrically driven instrumentation powered by local solar panel arrays.

Furthermore, Armour minimises its impact on land and waterways in relation to development and exploration activities by undertaking the following:

- Assessment of regional and local aquifers to characterise the geochemistry of formation water prior to and during initial stages of exploration and development, including hydraulic stimulation, activities.
- Ongoing baseline monitoring of groundwater quality to detect any changes during and after the cessation of exploration and development lifecycles.
- Assessment and survey of local ecological communities within and around our development, exploration and production tenements, and the implementation of innovative approaches to negate and reduce footprint and minimise vegetation clearing.
- Staying educated on improved and innovative environmental technologies that could have the greatest potential for reducing overall energy consumption during the exploration and development lifecycles.

Armour has commenced studies on the potential use of depleted gas fields for carbon capture and storage (CCS). CCS is a process which aims to safely capture carbon dioxide (CO^2) and permanently store deep underground in geological formations. CCS is seen as playing an important role in reducing carbon emissions and transition to cleaner energy.

Notwithstanding the favourable landscape for the ongoing production and sale of natural gas as outlined above, Armour anticipates that its activities may be subject to increasing regulation and costs associated with climate change, and/or the management of carbon emissions. The Company is committed to understanding and managing the current and emerging regulatory, reputational, and market-related risks of climate change to its operations.

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

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

The Company is also conscious that other social consensus-based issues connected with climate change and environmental stewardship may impact its operations and cost structures into the future. These are dynamic issues which will need to be monitored and considered in the context of the Company's decisions regarding the use of its capital, the nature and longevity of certain assets and operations, the safety and security of its workforce, and the interests of its broader stakeholders and the communities in which it operates. At this stage, there have been no direct impacts on Armour's operations or assets connected to these issues, other than the historic gas and hydraulic fracturing moratoriums imposed by the Victorian and Northern Territory Governments.

No financial impacts have been recorded in the current period by Armour in relation to these initiatives as:

- The Company's project equity interests in the state of Victoria are currently carried at a nil value, having been written down in an earlier period; and
- The Government of the Northern Territory has now lifted its moratorium and granting the Company an extension of time for it to complete its exploration activities, together with reductions in its financial commitments related thereto.

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

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

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

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

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

People

37
Direct employees

20%
Female workforce

50%
Site based employees from the Region

As a small operation, people are at the core of our business. Armour directly employs 37 people with 20% female. We have a diverse workforce with our team coming from a breath of backgrounds, from as close as New Zealand and PNG to as far as the UK. Over a quarter of our workforce were originally from outside of Australia.

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

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

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

Community

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

Supporting Local Businesses

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

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

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

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

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

Community

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

In 2022, Armour donated to the Surat Ladies Bowling Club Annual Pink and Blue Bowls Day. This community event was enjoyed by a wide cross section of the local community and raised funds for a cancer charity. A number of the Armour team took part in the bowls day and surprised us with some hidden talents.

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

Landholders and Traditional Owners

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

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

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

Industry Engagement

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

Jobs, Royalties and Taxes

Armour directly employed 37 people at 30 June 2022 as well as a number of independent contractors.

Armour contributed $1.6 million (2021:$1.2m) in royalties and $0.4 million (2021:$0.6m) in payroll tax to the Queensland Government.

Managing Risk

Armour is an explorer, developer and producer of gas and associated liquids. The Group operates in a volatile pricing market. Factors specific to Armour or those which impact the market more broadly, may individually or in combination, impact the financial and operating performance of Armour. These events may be beyond the control of the Board or management of Armour Energy.

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

Operational Risks

Production Risks

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

Geological Risks

Resource and Reserve estimates are prepared by external experts in accordance with the JORC code for reporting. The estimates are inherently subjective in some respects therefore there is risk that the interpretation of data may not align with the future experienced conditions in the field. Due care is taken with each estimation.

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

Exploration and Development Risk

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

Safety, Environmental and Sustainability Risks

Safety Risk

Safety remains of critical importance in the planning, organisation and execution of Armour's exploration and operational activities. Oil and gas operations pose a risk of harm to employees, contractors or the community in which Armour operates. Armour is committed to providing and maintaining a working environment in which its employees and contractors are not exposed to hazards that will jeopardise an employee's health and safety, or the health and safety of others associated with our business. Armour has in place detailed and proactive safety and health management plans which are reviewed regularly. Armour also participates in the Safer Together industry working group committed to creating the leadership and collaboration needed to build a strong and consistent safety culture.

Climate Change

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

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

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

Environmental Risk

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

Armour's operations and projects are subject to State and Federal laws, and regulation regarding environmental hazards. These laws and regulations set various standards regulating certain aspects of health and environmental quality, provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to remediate current and former facilities and locations where operations are or were conducted. The ability to secure and undertake exploration and operational activities within prospective areas is also reliant upon satisfactory resolution of native title and management of overlapping tenure.

To address these risks, Armour develops strong, long-term effective relationships with landholders, with a focus on developing mutually acceptable access arrangements as well as appropriate legal and technical advice to ensure it manages its compliance obligations appropriately.

Armour minimises these risks by conducting its activities in an environmentally responsible manner, in accordance with applicable laws and regulations and where possible, by carrying appropriate insurance coverage. In addition, Armour engages experienced consultants and other technical advisors to provide expert advice where necessary.

Pandemic Risk

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

Strategic and Financial Risks

Regulatory Risks

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

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

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

Commodity Price Risk

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

Sovereign Risk

Armour has limited influence over the direction and development of government policy. Successive changes to the Australian energy and resources policies, including taxation and innovation policies, have impacted Australia's global competitiveness and reduced the attractiveness of Australian fossil-fuel projects to foreign investors.

Armour's view is that whilst there is currently a negative perception of fossil fuels, gas and LPG being less carbon intensive than alternate energy sources (such as thermal coal) will continue to play a significant role as both a domestic and export commodity.

Access to Funding

Armour's ability to fund operations and future growth is impacted by its ability to access funding. At 30 June 2022, Armour remained funded with the ability to raise cash reserves to be sufficient to meet the business's operating costs. Armour's ability to effectively continue as an oil and gas producing business is dependent upon several factors, including the success of the Kincora Gas Plant, successful exploration and subsequent exploitation of Armour's tenements.

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

Recent examples of the ability to raise funding via equity was the successful completion of the $8.2 million private placement announced on 27 September 2021 and $5.9m raised by McArthur NT Pty Ltd via Redeemable Exchangeable Notes during the last 12 months.

Board of Directors

Nicholas Mather (appointed 18 December 2009)

Executive Chairman

BSc (Hons, Geol), MAusIMM

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

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

Current directorships/other interests

DGR Global Limited

(26/10/2001 – current)

NewPeak Metal Limited

(22/01/2003 – current)

Aus Tin Mining Limited

(21/10/2010 – current)

Lakes Blue Energy NL

(07/02/2012 – current)

SolGold plc (LSE and TSX)

(11/05/2005 – current)

Former directorships (last 3 years)

Atlantic Lithium Ltd (A11) (formerly Iron Ridge Resources Limited)

(05/09/2007 - 28 June 2021)

Interests in shares: 9,019,912

Interest in options: 7,978,634

Stephen Bizzell (appointed 9 March 2012)

Non- Executive Director

BCom, MAICD, SA Fin

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

Current directorships/other interests

MAAS Group Holdings Limited

(21/10/2020 – current)

Renascor Resources Limited

(Appointed 01/09/2010 – current)

Laneway Resources Limited

(28/06/1996 – current)

Strike Energy Limited

(31/12/2018 – current)

Challenger Energy Group Plc

(01/06/2021– current)

Former directorships (last 3 years)

UIL Energy Limited

(01/08/2014 -27/12/2018)

Stanmore Coal Limited

(05/10/2009 - 15/05/2020)

Interests in shares: 19,287,066

Interest in options: 48,969,324

Eytan Uliel (appointed 20 November 2017)

Independent Non-Executive Director

BA, LLB

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

Eytan is Chair of the Audit and Risk Management Committee.

Current directorships/other interests

None

Former directorships (last 3 years)

None

Has no interest in Armour Energy shares or options.

Leadership Team

Christian Lange

Chief Executive Officer

Christian Lange is a highly experienced executive within both the Australian and International resources industries, having spent over 30 years in executive and operational roles globally. Christian was an executive at leading global oil and gasfield services provider, Schlumberger where he spent 18 years in executive and operational management in Australia/NZ, the Middle East, the United Kingdom, Venezuela, and the USA. Christian was also previously the Managing Director and CEO of ASX listed Neptune Marine Services, a company that he developed from a single technology start up, to a company employing over 700 people and operating in major offshore provinces. Recently, Christian was the Founder and Managing Director of Griffin Energy Solutions, a specialist well engineering and project management company. Christian holds an MBA from the Curtin Graduate School of Business and is a member of the Society for Petroleum Engineers (SPE).

Michael Laurent

Chief Operating Officer

B.Eng (Mech)

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

Geoff Walker

Chief Financial Officer & Joint Company Secretary

B.Bus, CA, GAICD

Geoff Walker is a chartered accountant and member of the Australian Institute of Company Directors. He has 30 plus years of financial and commercial experience including previous Chief Financial Officer roles with ASX listed Eagers Automotive Limited, Range International Limited and Kina Petroleum Limited. Mr Walker brings extensive experience formulating and executing strategic initiatives while managing change and growth. Mr Walker is also currently CFO and Company Secretary for DGR Global Ltd, Armour's largest shareholder and through this role he already has a good working knowledge of Armour's business and strategic objectives.

Former Directors

Roland Sleeman (11 October 2011 – 31 March 2022)

Independent Non-Executive Director

B.Eng. (Mech), MBA

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

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

Current directorships/other interests: Lakes Blue Energy NL

Former directorships (last 3 years): None

Interests in shares: NIL

Interest in options: NIL

Directors' Report

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Armour Energy Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year-ended 30 June 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 financial year that have not been detailed elsewhere in this report.

A detailed operating and financial review is provided on pages 7 to 21 of this report and forms part of the Directors' report. Material risks to the Company are discussed on pages 30 to 32.

Directors

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

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

Their qualifications, experience and special responsibilities are included on page 33.

Company Secretary

Geoff Walker perform Armour's Company Secretary duties.   A Boardroom Pty Limited appointee, Ms Natalie Climo, performed Company Secretarial duties over a six-month period during the financial year while the Company transitioned to a new sole Company Secretary. Details of Mr Walker's qualifications and experience are set out on page 34.

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during financial year 2022, and the number of meetings attended by each Director were:

	Board		Audit and Risk Management Committee	
	Held	Attended	Held	Attended
Nicholas Mather	14	14		
Stephen Bizzell	14	14	2	2
Roland Sleeman	11	10	2	2
Eytan Uliel	14	13	2	2

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

No Remuneration Committee meetings were held during the 2022 financial year.

Corporate Structure

Armour Energy Limited is a company limited by shares that is incorporated and domiciled in Australia. It was converted to a public company on 14 January 2011 and subsequently became an ASX-listed company on 26 April 2012.

Dividends

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

Future likely developments, prospects, and business strategies

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

Options on Issue

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

Grant Date	Date of Expiry	Exercise Price	Number under option
1-Oct-19	30-Sep-23	$0.08	40,000,000
17-Dec-19	30-Sep-23	$0.08	8,000,000
23-Jun-20	29-Feb-24	$0.05	31,166,497
30-Jun-20	29-Feb-24	$0.05	7,018,341
12-Aug-20	29-Feb-24	$0.05	9,424,831
24-Aug-20	29-Feb-24	$0.05	16,894,150
17-Sep-20	29-Feb-24	$0.05	35,929,524
1-Oct-20	29-Feb-24	$0.05	85,138,026
1-Oct-20	29-Feb-24	$0.05	59,025,859
19-Oct-20	29-Feb-24	$0.05	63,791,938
19-Oct-20	29-Feb-24	$0.05	24,019,471
22-Dec-20	29-Feb-24	$0.05	66,778,341
24-Mar-21	29-Feb-24	$0.05	62,494,099
8-Jul-21	29-Feb-24	$0.05	66,355,466
29-Sep-21	29-Feb-24	$0.05	73,397,439
23-Dec-21	29-Feb-24	$0.05	64,530,769
2-May-22	29-Feb-24	$0.05	12,083,333
2-May-22	29-Feb-24	$0.05	48,333,334
Total			**774,381,418**

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

Indemnity and Insurance of Directors and Officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to ensure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and Insurance of Auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Events after the Reporting Date

Other than the below subsequent events, no other matter or circumstance has arisen since 30 June 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.

- Other Financial Assets - On 28 March 2022 Armour entered into a number of agreements to dispose of the Company's Lakes Blue Energy NL (LKO) shareholding comprising 2,125,000,000 Ordinary shares under escrow until 2 August 2022 at 0.06c each. The disposal was subject to LKO agreement, and the escrow being retained by buyers.

- The legal ownership transfer of the disposed shares from Armour Energy to the respective purchasers occurred following 30 June 2022. A change in the fair value of these equity investments was adjusted through other comprehensive income and the revalued book value is $1,275,000.The Other Financial Assets current assets held for sale are classified in the Corporate reportable segment.

- Mr Christian Lange was appointed as Chief Executive Officer of the Company on 25 July 2022.

- Armour entered into a funding agreement with Armour's largest shareholder, DGR Global Ltd, for the provision of a $4.5M facility to be drawn over three months. This funding is provided by way of a placement of redeemable exchangeable notes to be issued by Armour's subsidiary, McArthur NT Pty Ltd, 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.

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 that the particular risks faced by the Company – and its stance generally on climate change issues. Refer to the Sustainability Report for more information.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-Audit Services

The Company's auditor, BDO, undertook some non-audit services during the year. Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 40 to the financial statements. The non-audit services totalling $17,970 relates to other advisory services provided.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in Note 40 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are Former Partners of BDO

There are no officers of the Company who are former partners of BDO.

Remuneration Report (audited)

The remuneration report details the key management personnel remuneration arrangements for Armour, in accordance with the requirements of the Corporations Act 2001 and its Regulations. This information has been audited as required by section 308(3C) of the Corporations Act 2001.

The remuneration report is set out under the following main headings:

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

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

The following persons are considered Key Management Personnel for Armour. Details of date of service is included where service was for all or part of the 2022 financial year:

Name	Position	Period of Service
Directors		
Nicholas Mather	Executive Chairman	Became KMP 1 July 2011
Stephen Bizzell	Non-Executive Director	Became KMP 8 March 2012
Eytan Uliel	Independent Non-Executive Director	Became KMP 20 November 2017
Executive KMP		
Christian Lange	Chief Executive Officer	Became KMP 25 July 2022
Michael Laurent	Chief Operating Officer	Became KMP 1 July 2020
Geoff Walker	Chief Financial Officer	Became KMP 25 May 2022
Former Director		
Roland Sleeman	Independent Non-Executive Director	Ceased KMP 31 March 2022
Former Executive KMP		
Toni Hawkins	Chief Financial Officer	Ceased KMP 31 December 2021
Karl Schlobohm	Company Secretary	Ceased KMP 31 January 2022
Bradley Lingo	Chief Executive Officer	Ceased KMP 4 April 2022
Mark Greenwood	Chief Commercial Officer	Ceased KMP 3 June 2022
Craig Gouws*	Chief Financial Officer	Ceased KMP 3 June 2022

* became KMP 20 December 2021

Michael Laurent resigned as COO of the Company on 30 August 2022, with a three-month notice period, to pursue other opportunities.

Other than the above, there were no changes to KMP after the reporting date and before the date the financial report was authorised for issue.

Principles used to determine the nature and amount of remuneration

Armour's remuneration policy is designed to attract, motivate, and retain Executives and Non-Executive Directors by identifying and rewarding high performers and recognising the contribution of each person to the continued growth and success of Armour.

The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- alignment of executive compensation; and
- transparency.

The Remuneration Committee is responsible for providing recommendations to the Board of Directors on the remuneration arrangements for its directors and executives. The performance of Armour depends on the quality of its directors and executives.

The Board assesses the appropriateness of the nature and amount of remuneration of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit. Such officers are given the opportunity to receive their base remuneration in a variety of forms including cash and fringe benefits. It is intended that the manner of payments chosen will be optimal for the recipient without creating undue cost for Armour. Further details on the remuneration of Directors and Executives are set out in this Remuneration Report.

Armour aims to reward the Executives with a level and mix of remuneration commensurate with their position and responsibilities within Armour. The Board's policy is to align Director and Executive objectives with shareholder and business objectives by providing a fixed remuneration component.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- link reward with the strategic goals and performance of Armour;
- focusing on sustained growth in shareholder wealth and achievement of these strategic goals; and
- ensuring total remuneration is competitive by market standards.

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Details of remuneration and service agreements

Non-executive Directors' Remuneration

The board seeks to set aggregate remuneration at a level which provides Armour with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders. Armour's specific policy for determining the nature and amount of remuneration of non-executive directors is as outlined below.

The Company's constitution and ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the

Annual General Meeting held on 9 November 2011 where the shareholders approved a maximum annual aggregate remuneration of $500,000.

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed periodically by the Remuneration Committee. The Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

If a non-executive director performs extra services, which in the opinion of the directors are outside the scope of the ordinary duties of the director, Armour may remunerate that director by payment of a fixed sum determined by the directors in addition to or instead of the remuneration referred to above. However, no payment can be made if the effect would be to exceed the maximum aggregate amount payable to non-executive directors. A non-executive director is entitled to be paid travelling and other expenses properly incurred by them in attending director's or general meetings of Armour or otherwise in connection with the business of Armour.

All directors can qualify for participation in the Employee Share Option Plan, subject to the approval of shareholders.

The rights, responsibilities and remuneration terms for each non-executive director are set out in a letter of appointment, pursuant to which:

- Directors are granted the rights to access Group information, and the right to seek independent professional advice
- Directors are provided with a Deed of Access and Indemnity
- Directors are provided with coverage under Armour's directors and officers insurance policy
- Directors are made aware of Armour's Corporate Governance policies and procedures
- Directors are ordinarily entitled to remuneration of $40,000 per annum, plus reasonable expenses for travel and accommodation,
- There are no fixed terms or notice periods, with the exception of the Chairman.

The remuneration of non-executive directors for the year ended 30 June 2022 is detailed on page 46 of this remuneration report.

Executive remuneration

Armour aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components and is commensurate with their position and responsibilities within Armour and to:

- link reward with the strategic goals and performance of Armour;
- align the interests of the executives with those of shareholders; and
- ensure total remuneration is competitive by market standards.

The remuneration of the executives is recommended by the Remuneration Committee and determined by the Board. The remuneration will comprise a fixed remuneration component and may include offering specific short and long-term incentives, in the form of:

- base pay and non-monetary benefits;
- short-term performance incentives;
- share-based payments; and
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration. The remuneration of executive directors and other KMP for the year ended 30 June 2022 is detailed on pages 46-47 of this Remuneration report.

Service agreements

It is the board's policy that employment agreements are entered into with all executives and employees.

Remuneration and other terms of employment for key management personnel are formalised in service agreements. The termination provisions applicable are set out below.

Name	Position	Duration of service	Notice Period	
			By Executive	By Company
Nicholas Mather	Executive Chairman	Ongoing	12 months	12 months
Christian Lange	Chief Executive Officer	Ongoing	3 months	3 months
Michael Laurent	Chief Operating Officer	Ongoing	3 months	3 months
Geoff Walker	Chief Financial Officer	Ongoing	3 months	3 months

Apart from the CEO, who has his own incentive plan (see below) bonus payments and incentive criteria satisfaction are at the discretion of the Remuneration committee.

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

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

Chief Executive Officer Incentive Plan

Mr Lingo was entitled to a base salary of $299,000 inclusive of superannuation, to be assessed annually by the Board, based on the following weighted KPI's and up to a maximum of $100,000.

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

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

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

As the performance criteria was not met during the year, no performance shares were issues to Mr Lingo during the financial year.

Mr Lange is entitled to base remuneration of $480,000 inclusive of superannuation plus a bonus of up to 100% of base salary per annum, measured and weighted against progress towards and achievement of agreed KPI's.

No	KPI's	Contributed Percentage
1	Negotiate a new gas sales agreement with $8M upfront payment and renegotiate the current APLNG contract.	*
2	Negotiate $160M farm-out of NT projects which maintains a minimum 30% equity for AJQ.	*
3	Negotiate a deal with AGL on Silver Springs Facility to substantially reduce AJQ Surat OPEX.	*
4	Be instrumental in raising a minimum of $3M through an issue of AJQ notes to Bizzell Capital Partners clients.	*
5	Raise a minimum of $5M through an issue of AJQ shares at an appropriate time.	*
6	Deliver a $15M Surat Basin Farm-out deal on 5 wells and 400sqkm of 3d seismic.	*
7	Successfully renegotiate Tribeca debt facility into Armour Notes.	*
8	Successfully renegotiate FIIG bonds into Armour Notes.	*
9	Lead completion of the in-well-bore remediation work and maintain well productivity safely and within budget.	*
10	Overall lifting production to at least 10Tj's per day and making new discoveries of at least 30Pj's.	*

*Mr Lange's KPI contribution percentages are yet to be agreed.

In addition to the bonus payment, Mr Lange is entitled to a Long-Term Incentive Plan:

The receipt of 40 million options as follows, with initial tranche vesting after 1 year's employment with AJQ, satisfactory progress towards and achievement of KPI's and once the 30-day VWAP exceeds $0.025, $0.05 and $0.10 respectively:

- 13 million with an exercise price of $0.009
- 13 million with an exercise price of $0.025
- 14 million with an exercise price of $0.05

Voting and comments made at the Company's 2021 Annual General Meeting ('AGM')

At the 2022 AGM, 77.29% (2021: 97.9%) of the eligible votes received supported the adoption of the remuneration report for the year ended 30 June 2021. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Amounts of remuneration

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

		Short-term benefits			Post-employment benefits	Share-based payments		
	Year	Cash salary and fees	Cash bonus	Non-monetary	Superannuation	Shares	Total	Relating to performance
		$	$	$	$	$	$	%
Directors:								
N Mather	**2022**	**168,000**	**-**	**-**	**-**	**-**	**168,000**	**-**
	2021	168,000	-	-	-	-	168,000	-
S Bizzell	**2022**	**40,000**	**-**	**-**	**-**	**-**	**40,000**	**-**
	2021	40,000	-	-	-	-	40,000	-
E Uliel	**2022**	**40,000**	**-**	**-**	**-**	**-**	**40,000**	**-**
	2021	40,000	-	-	-	-	40,000	-
Current other Key Management Personnel:								
M Laurent	**2022**	**336,061**	**-**	**68,108**	**23,568**	**60,950**	**488,687**	**-**
	2021	339,361	-	47,074	22,156	60,950	469,541	-
G Walker*	**2022**	**15,375**	**-**	**-**	**2,050**	**5,125**	**22,550**	**-**
	2021	N/A						
Total Current KMP	**2022**	**599,436**	**-**	**68,108**	**25,618**	**66,075**	**759,237**	**-**
	2021	587,361	-	47,074	22,156	60,950	717,541	-

	Year	Short-term benefits			Post-employment benefits	Share-based payments		
	Year	Cash salary and fees	Cash bonus	Non-monetary	Superannuation	Shares	Total	Relating to performance
		$	$	$	$	$	$	%
Previous Directors:								
R Sleeman**	**2022**	**30,000**	**-**	**-**	**-**	**-**	**30,000**	**-**
	2021	40,000	-	-	-	-	40,000	-
Previous other Key Management Personnel:								
K Schlobohm***	**2022**	**23,871**	**-**	**-**	**-**	**-**	**23,871**	**-**
	2021	40,000	-	-	-	-	40,000	-
B Lingo***	**2022**	**173,048**	**-**	**38,395**	**15,289**	**7,299**	**234,031**	**3.1**
	2021	276,708	-	24,069	24,309	92,102	417,188	-
M Greenwood#	**2022**	**272,733**	**-**	**-**	**23,568**	**90,121**	**386,422**	**-**
	2021	20,000	-	4,809	2,695	58,333	85,869	-
T Hawkins	**2022**	**153,942**	**-**	**-**	**11,784**	**30,095**	**195,821**	**-**
	2021	150,292	-	15,581	13,059	35,094	214,026	-
C Gouws*	**2022**	**112,138**	**-**	**-**	**11,880**	**27,832**	**151,850**	**-**
	2021	N/A						
R Arden*	**2022**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2021	41,497	-	-	2,908	-	44,405	-
Total Current KMP	**2022**	**1,365,168**	**-**	**106,503**	**88,139**	**155,347**	**1,781,232**	**3.1**
	2021	1,155,890	-	91,533	65,127	246,479	1,559,029	-

* Mr Walker was employed as CFO from 25 May 2022. Mr Gouws was employed as CFO from 20 December 2021 to 3 June 2022. Mrs Hawkins was employed as CFO from 1 December 2020 to 31 December 2021. Mr Aden was employed as CFO from 23 July 2019 to 07 August 2020

** Mr Sleeman resigned as director on 31 March 2022.

*** Mr Schlobohn resigned as Company Secretary on 31 January 2022.

**** Mr Lingo resigned as Chief Executive Officer on 4 April 2022.

Mr Greenwood was employed as Chief Commercial Officer from 1 June 2021 to 3 June 2022.

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

- Ensure employees understand Armour's business drivers, objectives, and performance;
- Strengthen the involvement and focus of employees in achieving the business' objectives; and
- Improve teamwork, communication, and interaction among employees.

Under the incentive scheme, Armour may at its discretion, on an annual basis, pay a bonus to permanent employees who are employed by Armour on the final day of the relevant financial year (that is, 30 June).

The maximum amount of bonus that will be paid to each employee in any year is set out in the employee's contract of employment and is set at a maximum 50% of base annual salary.

Apart from the CEO, the actual amount of bonus paid to each individual employee will be dependent on:

- For 70% of the potential maximum award, the individual employee's performance relative to pre-agreed key performance indicators ('KPIs'); and
- For 30% of the potential maximum award, the overall corporate performance compared to predetermined corporate performance targets but subject to satisfactory personal performance.

There were no bonuses awarded in financial year 2022.

Share-based compensation

For the year ended 30 June 2022 $920,476 of other employment benefits were taken as ordinary shares in lieu of cash (2021: $287,615). The number of shares awarded was determined with reference to the share value based on a 10-day volume weighted average price (VWAP) at the time of qualification for the share allotment.

Options granted as part of remuneration for the year ended 30 June 2022

Under the Company's employee share option plan (ESOP), which was approved by shareholders at the 2016 AGM, share options may be issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria but are issued to the majority of directors and executives of Armour to align comparative shareholder return and reward for directors and executives.

During the year ended 30 June 2022, there were no options granted as remuneration to Key Management Personnel (2021: NIL). There are no options on issue over unissued ordinary shares in Armour Energy Ltd on 30 June 2022 to Key Management Personnel.

Performance Shares

There were no performance shares granted or vested during the year. With Mr Lingo's resignation his performance shares that remained unvested (5,850,000) were forfeited.

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

Shares issued on exercise of remuneration options

There were no options exercised during the year that were previously granted as remuneration (2021: NIL).

Shareholdings

The details of all ordinary shares in Armour Energy Ltd as of 30 June 2022 held by Key Management Personnel is set out below:

Key Management Personnel	Balance at 1-Jul-21	Granted as/ in lieu of compensation	Net changes Other	Balance at 30-Jun-22
Directors	Number	Number	Number	Number
N Mather	6,169,912	-	2,850,000	9,019,912
S Bizzell	13,287,066	-	6,000,000	19,287,066
Executive KMP				
M Laurent	3,150,000	2,455,375	-	5,605,375
Former KMP				
R Sleeman	59,999	-	(59,999)	-
K Schlobohm	650,002	664,498	(1,314,500)	-
T Hawkins	516,031	1,309,068	(1,825,099)	-
Mark Greenwood	-	5,070,947	(5,070,947)	-
Craig Gouws	-	1,045,000	(1,045,000)	-
	23,833,010	**10,544,888**	**(465,545)**	**33,912,353**

Note: "Net change other" above includes the balance of shares held on appointment / resignation, and shares acquired or sold for cash on similar terms and conditions to other shareholders.

All other directors and key management personnel did not hold any shares in the Company at the start, during or at the end of the year. There were no other shares held nominally as of 30 June 2022 (2021: NIL).

Option holdings

The details of all option holdings in Armour Energy Ltd as of 30 June 2022 held by Key Management Personnel is set out below:

Directors/ Key management personnel	Balance at 1-Jul-21	Net Change other	Balance at 30-Jun-22	Total vested	Total Vested and exercisable
Directors	Number	Number	Number	Number	Number
N Mather	6,867,134	1,111,500	7,978,634	7,978,634	7,978,634
S Bizzell	33,206,324	26,998,108	60,204,432	60,204,432	60,204,432
Executive KMP					
K Schlobohm	129,476	(129,476)	-	-	-
M Laurent	250,000	-	250,000	250,000	250,000
	40,452,934	**27,980,132**	**68,433,066**	**68,433,066**	**68,433,066**

"Net Change other" above includes the balance of options held on appointment / resignation, options acquired or sold for cash on similar terms and conditions to other shareholders, and options that have expired unexercised.

All other directors and key management personnel did not hold any options in the Company at the start, during or at the end of the year.

Performance rights shares

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

Key management personnel	Balance at 1-Jul-21	Net Change other	Balance at 30-Jun-22	Total vested
	Number	Number	Number	Number
B Lingo	7,2000,000	(5,850,000)	1,350,000	1,350,000

Options

There were no other options held nominally on 30 June 2022 (2021: NIL).

Group performance and link to remuneration

During the financial year, Armour has generated losses as its principal activity was the discovery and production of oil and gas assets, as well as exploration for economically viable reserves of both conventional and unconventional natural oil and gas.

Armour Energy Limited listed on the ASX on 26 April 2012. The closing share price as of 30 June 2022 was 0.6 cents per share.

The earnings of Armour for the five years to 30 June 2022 are summarised below:

	2022	2021	2020	2019	2018
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Sales revenue	17,985	17,502	21,104	27,819	14,749
Loss after income tax	(11,006)	(11,592)	(9,571)	(11,684)	(12,198)

Armour was in the exploration and development stage up until the 2018 financial year and as such, the link between remuneration, Group performance and shareholder wealth was tenuous. Share prices are subject to the influence of oil and gas prices and market sentiment toward the sector, and as such increases or decreases may occur quite independent of Executive performance or remuneration.

Armour is currently in the production and development stage, therefore the link between Group performance and shareholder wealth should be more strongly linked in future years.

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

$ cents	2022	2021	2020	2019	2018
Share price at financial year end (cents)	0.6	2.6	2.0	6.7	9.0

Other transactions with key management personnel and their related parties

Company debt instruments held by key management personnel

There were no convertible notes held by key management personnel on 30 June 2022.

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

	Notes held at the start of the year	Received as part of remuneration	Additions	Disposals / other	Notes held at the end of the year
	Number	Number	Number	Number	Number
Corporate bond holdings					
Stephen Bizzell	100	-	-	-	100
MOG Notes					
Stephen Bizzell	-	-	425,000	-	425,000

	Interest	Principal	Additions / Disposals	Total paid during 2022
	$	$	$	$
Corporate bond payments				
Stephen Bizzell	7,166	31,696	-	38,862

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

Bizzell Capital Partners Pty Ltd and related entities

Mr Stephen Bizzell (a Director), is the Chairman of boutique corporate advisory and funds management group Bizzell Capital Partners Pty Ltd.

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

Armour Energy & McArthur Oil & Gas completed capital raising during the year with Bizzell Capital Partners jointly lead capital raisings and was paid, along with related entities management, capital raising fees and other fees totalling $503,927 (FY2021: $468,505) on arm's length terms.

As at 30 June 2022, Bizzell Capital Partners and related entities controlled by Mr Stephen Bizzell held 19,287,066 shares (2021: 13,287,066), 60,204,432 options (2021: 33,206,324) of which 6,000,000 were unquoted options (2021: 6,000,000), 425,000 convertible MOG notes, and 100 corporate bonds (2021:100). The corporate bonds were purchased on the same terms and conditions as all other bondholders.

Samuel Holdings Pty Ltd and related entities

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

As at 30 June 2022, Samuel Holdings Pty Ltd and related entities controlled by Mr Nicholas Mather held 9,019,912 shares (2021: 6,169,912) and 7,978,634 options (2021: 6,867,134) in the Armour Group.

Other than the above, there were no other transactions with Key Management Personnel for the year ended 30 June 2022.

This concludes the Remuneration report, which has been audited.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Armour support and have adhered to the ASX corporate governance principles, where appropriate for the Company. Armour's corporate governance statement has been released as a separate document and is located on our website at www.armourenergy.com.au/corporategovernance.

This Directors' report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

Nicholas Mather
Executive Chairman
30 September 2022

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

As lead auditor of Armour Energy Limited for the year ended 30 June 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

R M Swaby
Director

BDO Audit Pty Ltd

Brisbane, 30 September 2022

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

Financial Statements

For the year ended 30 June 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2022

	Note	Consolidated 30 June 2022 $'000	Consolidated 30 June 2021 $'000
Revenue			
Revenue from contracts with customers	7	17 985	17,502
Cost of goods sold	8	(16,641)	(22,151)
Gross profit		**1,344**	**(4,649)**
Net (loss)/gain on sale of assets	7	(35)	15,857
Other income	7	404	601
Interest revenue	7	9	70
Expenses			
Exploration expenditure impairment	17	(489)	(853)
Finance costs	9	(5,206)	(6,316)
General and administrative expenses	8	(5,974)	(4,338)
Oil and gas expenditure impairment	18	(515)	(11,500)
Share-based payments	8	(718)	(464)
Loss before income tax expense		**(11,180)**	**(11,592)**
Income tax benefit	10	174	-
Loss after income tax expense for the year attributable to the owners of Armour Energy Limited		**(11,006)**	**(11,592)**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Change in fair value of financial assets at fair value through other comprehensive income	19	1,275	(637)
Income tax items that will not be reclassified to profit or loss	10	(174)	
Other comprehensive income for the year, net of tax		1,101	(637)
Total comprehensive loss for the year attributable to the owners of Armour Energy Limited		**(9,905)**	**(12,229)**
		Cents	**Cents**
Basic loss per share	11	(0.6)	(1.0)
Diluted loss per share	11	(0.6)	(1.0)

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

Consolidated Statement of Financial Position

As at 30 June 2022

		Consolidated	
		30 June 2022	30 June 2021
Assets	**Note**	**$'000**	**$'000**
Current assets			
Cash and cash equivalents	12	3,255	2,358
Trade and other receivables	14	1,544	2,104
Inventories	15	2,535	2,097
Other current assets		1,348	876
		8,682	7,435
Assets held for sale	16	3,262	-
Total current assets		11,944	7,435
Non-current assets			
Intangibles		355	230
Exploration and evaluation assets	17	34,266	32,013
Oil and gas assets	18	50,536	52,763
Other financial assets	19	9,614	10,778
Right-of-use assets	20	1,108	1,361
Property, plant and equipment		214	36
Total non-current assets		96,093	97,181
Total assets		**108,037**	**104,616**
Liabilities			
Current liabilities			
Trade and other payables	21	12,184	9,056
Lease liabilities	22	274	369
Employee benefits	23	454	497
Borrowings	24	21,821	13,620
Total current liabilities		34,733	23,542
Non-current liabilities			
Borrowings	25	13,896	23,877
Lease liabilities	22	851	964
Employee benefits	23	49	32
Provision for restoration and abandonment	26	6,688	6,688
Total non-current liabilities		21,484	31,561
Total liabilities		**56,217**	**55,103**
Net assets		**51,820**	**49,513**
Equity			
Issued Capital	27	145,983	133,771
Reserves	28	125	1,917
Accumulated Losses		(94,288)	(86,175)
Total equity		**51,820**	**49,513**

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

Consolidated Statement of Cashflows

For the year ended 30 June 2022

		Consolidated	
		30-Jun-22	30-Jun-21
	Note	$'000	$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		20,528	18,901
Payments to suppliers and employees (inclusive of GST)		(20,281)	(21,995)
Interest received		3	34
Interest paid on lease liability		(43)	(65)
Other Interest paid		(3,095)	(4,461)
Government grants		-	524
Net cash used in operating activities	13	**(2,888)**	**(7,062)**
Cash flows from investing activities			
Refund/(payments) for security deposits		706	(1,414)
Payments for property, plant, and equipment		(96)	(30)
Payments for oil and gas assets		(2,504)	(11,436)
Deposits received for investment sales		1,275	-
Proceeds from sale of exploration assets		-	21,664
Payments for acquisition of exploration and evaluation assets		(2,976)	(4,011)
Net cash from investing activities		**(3,595)**	**4,773**
Cash flows from financing activities			
Proceeds from issue of shares		9,256	21,025
Proceed from issue of notes	13	6,180	-
Proceeds from funding partners	13	1,405	-
Payment of principal portion of lease liability		(323)	(262)
Repayment of borrowings	13	(8,800)	(18,800)
Transaction costs on the issue of shares and notes		(338)	(562)
Net cash from financing activities		**7,380**	**1,401**
Net increase/(decrease) in cash and cash equivalents		897	(888)
Cash and cash equivalents at the beginning of the reporting period		2,358	3,246
Cash and cash equivalents at the end of the reporting period	12	**3,255**	**2,358**

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2021	133,771	1,917	(86,175)	49,513
Loss after income tax expense	-	-	(11,006)	(11,006)
Other comprehensive income, net of tax	-	1,101	-	1,101
Total comprehensive income	-	1,101	(11,006)	(9,905)
Transactions with owners in their capacity as owners:				
Transfers to reserves	-	(2,893)	2,893	-
Shares issued during the year	11,014	-	-	11,014
Share issue costs	(545)	-	-	(545)
Share-based payments	1,743		-	1,743
Balance at 30 June 2022	**145,983**	**125**	**(94,288)**	**51,820**

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

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

Notes to the Financial Statements

Note 1. General information

Armour Energy Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is Level 27, 111 Eagle Street, Brisbane QLD 4000.

The financial statements cover Armour Energy Limited as a Group consisting of Armour Energy Limited and the entities it controlled at the end of, or during, the reporting period. The financial statements are presented in Australian dollars, which is Armour Energy Limited's functional and presentation currency.

The Group is principally engaged in the exploration, development and production of oil and gas resources in Australia.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 30 September 2022. The Directors have the power to amend and reissue the financial statements.

Note 2. Statement of Compliance

The Group's Financial Statements as at and for the year ended 30 June 2022:

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

    a. Australian Accounting Standards ("AASBs") and other authoritative pronouncements of the Australian Accounting Standards Board; and
    b. International Financial Reporting Standards and Interpretations ("IFRS") as issued by the International Accounting Standards Board ("IASB").
5. Has been prepared under the historical cost convention, except for, the revaluation of financial assets at fair value through other comprehensive income. The methods used to measure fair values are discussed further in Note 28.
6. Is presented in Australian Dollars ("AUD"), which is both the Company's and the Group's presentation currency. All values are rounded to the nearest thousand ($'000) except when indicated otherwise. The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off' of amounts in the financial statements.
7. Includes significant accounting policies in the notes to the Financial Statements that summarise the recognition and measurement basis used and are relevant to the understanding of the Financial Statements.
8. Presents reclassified comparative information where required for consistency with the current year's presentation.
9. Adopts all new and amended standards and interpretations issued by the relevant bodies (listed above), that are mandatory for application beginning on or after 1 July 2021. None had a significant impact on the Financial Statements.
10. Has not early adopted any standards and interpretations that have been issued or amended but are not yet effective.

Note 3. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in Note 33.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Armour Energy Limited ('Company' or 'parent entity') as at 30 June 2022 and the results of all subsidiaries for the year then ended. Armour Energy Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and can affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances, and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Accounting policy for Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses, and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

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

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

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

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

Impairment of non-financial assets

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

The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Grants

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

Note 4. Going concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business.

For the year ended 30 June 2022, the Group generated a consolidated net loss before tax of $11,180,000 and incurred operating cash outflows of $2,888,000. As at 30 June 2022, the Group had cash and cash equivalents of $3,255,000, net current liabilities of $22,789,000 and net assets of $51,820,000.

On 22 September 2022, the Tribeca Facility (refer note 24) expired under the existing terms of the agreement. The Directors are in advanced negotiations to extend this facility further but as at the date of this financial report a formal renewal has not been executed and is subject to documentation and various conditions.

The Group has achieved relatively stable production during the year ended 30 June 2022, resulting in $17,985,000 of revenue. The group is forecasting to increase revenue over the coming 12 months by executing a number of commercial arrangements to deliver work programs designed to exploit the Group's existing flowing wells.

Whilst there is confidence in the performance of the Kincora Gas Plant and optimism for the future ramp up of production from the Kincora Gas Project, at the date of signing these accounts the above conditions give rise to a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

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

1. The cash generating ability of the Kincora Project is anticipated to increase as the Group moves ahead with our in-well bore program which will increase production from existing infrastructure while also pursuing farmouts to undertake work programs and increase production.
2. The Directors are in advanced negotiations to extend the Tribeca facility. In the event this is not finalised and the Company is unable to proceed to an executed extension of the facility suitable to both parties, a related company, DGR Global Limited, has provided a formal letter of financial support for the provision of funding sufficient to settle the remaining balance of the Tribeca facility of $4,500,000. This funding may come in various forms including a debt facility.
3. The Group has the ability to manage capital and liquidity by taking some or all of the following actions:
    a. Raising additional capital or securing other forms of financing, as and when necessary, to meet the levels of expenditure required to meet the Group's working capital requirements.
    b. Reducing its level of capital expenditure through farm-outs and/or joint ventures.
    c. Managing its working capital expenditure, and
    d. Disposing of non-core assets.
4. Increasing cashflow earnings – increasing production through delivering work programs; achieving cost-saving target; pursuing higher gas and other products sales prices through proactive business development and negotiations.
5. Proposed refinancing of maturing debt facilities.

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

The financial statements do not include any adjustment relating to the recoverability and reclassification of the recorded assets amounts, or to the amount and classification of liabilities that might be required should the Group not be able to achieve the matters set out above and thus be able to continue as a going concern.

Note 5. Use of estimates and judgements

The Group has identified a number of critical accounting policies under which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions. This may materially affect financial results and the carrying amount of assets and liabilities to be reported in the next and future periods. These estimates and underlying assumptions are reviewed on an ongoing basis.

Additional information relating to these critical accounting policies is embedded within the following notes:

Note	
4	Going Concern
17	Exploration and evaluation assets
18	Oil and Gas assets
26	Provision for restoration and abandonment

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

Note 6. Operating segments

Identification of reportable operating segments

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

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

For the year ended 30 June 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 chief operating decisions maker (CODM) reviews EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) monthly. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

Types of products and services

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

EEA

The Group does not produce any products or services from this operating segment; it involves expenditure to explore and evaluate potential future economic reserves and resources.

Surat

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

Intersegment transactions

An internally determined cost base is set for all intersegment services provided. All such transactions are eliminated on consolidation of the Group's financial statements.

Intersegment receivables, payables, and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Intersegment Assets

Segment assets are clearly identifiable based on their nature and physical location.

Intersegment Liabilities

Liabilities are allocated to segments where there is a direct nexus between the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the whole Group and are not allocated. Segment liabilities include trade and other payables and certain provisions.

Major customers

During the year ended 30 June 2022 approximately 56% (2021: 52%) of the Group's external revenue was derived from sales to one Australian based customer.

Unallocated items

The following items of income, expenses, assets, and liabilities are not allocated to operating segments as they are not considered core to the operation of any segment:

- Corporate head office costs and salaries of non-site-based staff.
- Proceeds from capital raisings.

Operating segment information

	EEA		Surat		Corporate		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue								
Revenue from contracts with customers	-	-	17,985	17,502	-	-	17,985	17,502
Total segment revenue	-	-	17,985	17,502	-	-	17,985	17,502
EBITDA	-	-	3,872	869	(6,194)	(4,513)	(2,322)	(3,644)
Depreciation and amortisation	-	-	(2,484)	(6,397)	(139)	(482)	(2,623)	(6,879)
Impairment of assets	(489)	(853)	(515)	(11,500)	-	-	(1,004)	(12,353)
Gain on disposal of assets	-	15,857	(19)	-	(15)	-	(34)	15,857
Interest revenue	-	-	2	69	7	1	9	70
Finance costs	-	-	(1,556)	(723)	(3,650)	(3,920)	(5,206)	(4,643)
Loss before income tax expense	(489)	15,004	(615)	(17,682)	(8,689)	(8,914)	(11,180)	(11,592)
Income tax expense							174	-
Loss after income tax expense							(11,006)	(11,592)
Assets								
Segment assets	34,089	33,574	67,615	66,856	5,189	3,043	106,893	103,473
Unallocated assets							1,143	1,143
Total assets							108,036	104,616
Liabilities								
Segment liabilities	-	-	21,301	19,022	34,917	36,081	56,217	36,081
Unallocated liabilities							-	-
Total liabilities							56,217	55,103

Accounting policy for operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision makers ("CODM") to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This may include start-up operations which are yet to earn revenues.

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the CODM.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 Operating Segments are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Note 7. Revenue and other income

Revenue from contracts with customers

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

	Consolidated	
	30 June 2022	30 June 2021
	$'000	$'000
Revenue from contracts with customers		
Gas	11,005	12,623
LPG	2,472	1,785
Oil and Condensate	4,508	3,094
	17,985	**17,502**

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 sale of goods is variable depending on physical production amounts. Payment is due by the customer within 30 days from the end of the invoiced month.

Other Income

	Consolidated	
	30 June 2022	30 June 2021
	$'000	$'000
Net (loss)/ gain on sale of assets	(35)	15,857
Government grants	-	601
Interest Received	9	70
Other*	404	-
	378	**16,528**

* Inventory sales ($284k) and gain on note conversion ($120k)

Accounting policy for revenue

The Group recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Interest

Interest revenue is recognised as interest accrues using the effective interest rate method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Note 8. Expenses

	Consolidated	
	30 June 2022	*30 June 2021*
	$'000	**$'000**
Loss before income tax includes the following specific expenses:		
Cost of goods sold		
Operating expenses	9,584	13,197
Employee expenses	4,573	3,761
Oil and gas properties depreciation	2,484	5,193
Total cost of goods sold	16,641	22,151
General and administrative expenses		
Employee expenses not included in cost of goods sold	2,275	1,639
Management fee	456	456
Consultancy and legal costs	1,956	656
Insurance not included in Cost of goods sold	193	272
Director fees	278	277
Depreciation and amortisation		
Office equipment	17	14
Amortisation of intangibles	122	24
Other expenses	677	1,000
Total general and administrative expenses	5,974	4,338
Share-based payments	718	464
Total superannuation expense (included in costs of goods sold and general and administrative expenses)	600	805

Employee benefits expenses

The Group's accounting policy for liabilities associated with employee benefits are set out in Note 23 and the share-based payments policy in Note 36.

Note 9. Finance costs

	Consolidated	
	30 June 2022	30 June 2021
	$'000	$'000
Interest expense	3,059	3,918
Financing fees	960	725
Amortisation of debt facilities and associated issue costs	1,187	1,673
	5,206	6,316

Note 10. Income tax

(a) Component of income tax expense (benefit)

	Consolidated	
	30 June 2022	30 June 2021
	$'000	$'000
Income tax benefit is made up of:		
Deferred tax	(174)	-
Aggregate income tax expense	-	-
Income tax charged in equity is made up of:		
Deferred tax	174	-
Aggregate income tax charged in equity	-	-
The prima facie tax on loss before income tax is reconciled to the income tax expense as follows:		
Loss before income tax expense	(11,180)	(11,592)
Tax at the statutory tax rate of 30%	(3,354)	(3,478)
Tax effect amounts which are not deductible in calculating taxable income:		
Share-based payments	252	113
Expenses not deductible for tax purposes	4	-
Other timing differences	(61)	-
	(3,159)	(3,365)
Current year tax losses not recognised	2,985	2,173
Prior year over (under)	-	1,192
Income tax benefit	(174)	-

(b) Reconciliation of net deferred tax

	Opening balance 1-Jul-21	Net charged to income	Net charged to OCI	Net charged to equity	Closing Balance 30-Jun-22
	$'000	$'000	$'000	$'000	$'000
Deferred tax asset					
Carried forward tax losses	693	2,492	-	-	3,185
Accruals/provisions	299	(147)	-	-	152
Property, Plant & Equipment (Armour)	11	-	-	-	11
Capital raising costs through P&L	49	(2)	-	-	47
Capital raising costs in equity	160	(61)	-	-	99
Provision for rehabilitation (Surat Basin)	2,007	-	-	-	2,007
Available for sale financial assets	1,437	(198)	(174)	-	1,065
Amortisation of Convertible Notes	1,362	-	-	-	1,362
Amortisation of Tribeca Facility	843	257	-	-	1,100
Lease Liabilities	400	(62)	-	-	338
Unrealised FX Loss	8	(8)	-	-	-
Holloman Exploration License (Reset CB)	108	(17)	-	-	91
Holloman Tax Cost base (transaction costs)	8	-	-	-	8
Deferred tax asset	**7,385**	**2,254**	**(174)**	**-**	**9,465**
Deferred tax liability					
Exploration & Evaluation assets	(8,462)	353	-	-	(8,109)
Oil & Gas assets	1,514	(2,535)	-	-	(1,021)
Leased Assets	(411)	76	-	-	(335)
Prepayments	(12)	12	-	-	-
Accrued Income	(14)	14	-	-	-
Deferred tax liability	**(7,385)**	**(2,080)**	**-**	**-**	**(9,465)**
Net deferred tax	-	174	(174)	-	-
Deferred tax assets not recognised					
Unused tax losses	56,543	9,952	-	-	66,485
Capital raising costs in equity	333	(203)	-	-	130
Available for sale financial assets	697	-	(697)	-	-
	57,573	**9,749**	**(697)**	**-**	**66,625**
Potential tax benefit at 30%	**17,272**	**2,924**	**(209)**	**-**	**19,987**

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

In order to recoup carried forward losses in future periods, either the Continuity of Ownership Test (COT) or Same Business Test (SBT) must be passed. The majority of losses are carried forward as at 30 June 2022 under COT. Deferred tax assets which have not been recognised as an asset, will only be obtained if:

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

Deferred tax assets

In determining the recoverability of the recognised deferred tax assets, management has assessed that it will be utilised through eligible expenditure under the research and development grant. To the extent that the Group does not have sufficient eligible expenditure the ability to utilise the net deferred tax assets could be impacted.

Accounting policy for income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Armour Energy Limited (the 'head entity') and its wholly owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Note 11. Earnings per share

	Consolidated	
	30 June 2022	30 June 2021
	$'000	$'000
Loss after income tax attributable to the owners of the parent entity	(11,006)	(11,592)
Weighted average number of shares used in (thousands)		
- Basic earnings	1,873,540	1,201,060
- Diluted earnings	1,873,540	1,201,060
Earnings per share (cents) attributable to the ordinary equity holders of the parent entity		
Basic loss per share	(0.6)	(1.0)
Diluted loss per share	(0.6)	(1.0)

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

Accounting policy for earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Armour Energy Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 12. Current assets – Cash and cash equivalents

	Consolidated	
	30 June 2022	30 June 2021
	$'000	$'000
Cash at bank and in hand	2,944	2,311
Other cash and cash equivalents	311	47
	3,255	2,358

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

Accounting policy for cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 13. Cash flow information

(a) Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	30-Jun-22	30-Jun-21
	$'000	$'000
Loss after income tax expense for the year	(11,006)	(11,592)
Adjustments for:		
Depreciation and amortisation	2,623	5,231
Net gain on sale of assets	35	(15,858)
Share-based payments	718	464
Impairment of exploration and evaluation expenditure	489	853
Impairment of oil and gas expenditure	515	11,500
Interest expense on borrowing facilities	187	(1,937)
Amortisation of borrowing facilities and issue costs	892	1,673
Inventory adjustment	(76)	(115)
Change in operating assets and liabilities:		
Increase in other current assets	(472)	(7)
Increase decrease in trade and other payables	3,084	2,323
(Increase) / decrease in trade and other receivables	561	(88)
(Increase) / decrease in inventories	(438)	491
Net cash used in operating activities	(2,888)	(7,062)

Equity settled share-based payment transactions are disclosed in Note 36.

Apart from in Note 36, there are no other non-cash financing and investing activities to disclose.

(b) Reconciliation of liabilities arising from financing activities

	Consolidated				
	Tribeca Loan	Corporate Bonds	Redeemable Exchangeable Notes	Other Borrowed funds	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2020	5,664	49,172	-	223	55,059
Borrowed Amounts	-	-	-	60	60
Net cash used (in)/ for financing activities	(1,367)	(17,433)	-	1,110	(17,690)
Amortisation	932	469	-	-	1,401
Balance at 30 June 2021	5,229	32,208	-	1,393	38,830
Net cash used in financing activities	-	(8,800)	6,180	203	(2,417)
Amortisation	(40)	469		-	429
Balance at 30 June 2022	5,189	23,877	6,180	1596	36,842

Note 14. Current assets – Trade and other receivables

	Consolidated	
	30 June 2022	30 June 2021
	$'000	$'000
Trade receivables	1,439	2,099
Other receivables	105	5
	1,544	2,104

Key judgement - Allowance for expected credit losses

The Group has not recognised any expense in profit or loss in respect of the expected credit losses for the year ended 30 June 2022 (30 June 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.

Accounting policy for trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

Due to the short-term nature of these receivables, their carrying value is assumed to approximate fair value. The maximum exposure to credit risk is the carrying value of receivables. Collateral is not held as security, and the receivables are not exposed to foreign exchange risk.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

As at 30 June 2022, included in trade receivables is one significant debtor accounting for approximately 52% (2021: 57%) of the total trade receivables.

Note 15. Current assets – Inventories

	Consolidated	
	30 June 2022	30 June 2021
	$'000	$'000
Gas	126	198
Oil and Condensate	84	46
LPG	4	6
Materials & Consumables	2,321	1,847
	2,535	2,097

Accounting policy for inventories

Oil and Gas inventory is measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of Oil and Gas inventory includes direct materials, direct labour, transportation costs and variable and fixed overhead costs related to production activities.

Consumable inventory on hand is stated at the lower of cost and net realisable value. Net realisable value is the estimated recoverable price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of consumable inventory comprises purchase and delivery costs, net of rebates and discounts received or receivable.

The assignment of cost to inventory items is done by utilising the first in first out (FIFO) formula, meaning inventory on hand at the end of the periods are assigned the cost of items most recently purchased.

Note 16. Current assets - Assets held for sale

	Consolidated	
	30 June 2022	30 June 2021
	$'000	$'000
Oil and gas assets	1,987	-
Other Financial Assets	1,275	-
	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 opening carrying value of the tenements was $2,495,386 with a revaluation loss of $508,669 recognised in the current period on entering into the sale contract with PZE with the revalued book value being $1,986,717.

The Oil and Gas current assets held for sale are classified in the Surat reportable segment.

Other Financial Assets

On 28 March 2022 Armour entered into a number of agreements to dispose of the Company's Lakes Blue Energy NL (LKO) shareholding comprising 2,125,000,000 Ordinary shares under escrow until 2 August 2022 at 0.06c each. The disposal was subject to LKO agreement, and the escrow being retained by buyers.

The legal ownership transfer of the disposed shares from Armour Energy to the respective purchasers occurred following 30 June 2022.

In the prior financial year shares in LKO were revalued to nil due to a trading suspension issued by the ASX. Subsequently Armour entered a sale contract to sell the shares for $1,275,000. As a result, a change in the fair value of these equity investments was adjusted through other comprehensive income.

Note 17. Non-current assets - Exploration and evaluation assets

	Consolidated	
	30 June 2022	30 June 2021
	$'000	$'000
Exploration and evaluation assets	43,119	40,377
Less: Accumulated impairment	(8,853)	(8,364)
	34,266	32,013

	Consolidated	
	30 June 2022	30 June 2021
	$'000	$'000
Movements in the provision for impairment amounts		
Balance at the beginning of the year	(8,364)	(7,511)
Provisions raised	(489)	(853)
	(8,853)	(8,364)

	Consolidated	
	30 June 2022	30 June 2021
	$'000	$'000
Movements in carrying amounts		
Balance at the beginning of the year	32,013	35,209
Additions	2,742	4,153
Additions acquired with CoEra Pty Ltd[1]	-	1,064
Disposals[2,3]	-	(7,560)
Provision for impairment	(489)	(853)
	34,266	32,013

[1]**Cooper Basin Assets**

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

[2] **Ripple Resources**

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

[3]**South Nicholson Basin**

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

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

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

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

Accounting policy for exploration and evaluation assets

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure but do not include overheads or administration expenditure not having a specific nexus with a particular area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active or significant operations in relation to the area are continuing.

A regular review has been undertaken on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

A provision is raised against exploration and evaluation expenditure where the Directors are of the opinion that the carried forward net cost may not be recoverable or the right of tenure in the area lapses. The increase in the provision is charged against the results for the year. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are transferred to oil and gas assets and amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

Provision for Impairment of Exploration and Evaluation assets

In accordance with the Group's accounting policy, the Exploration and Evaluation assets were tested for indicators of impairment at 30 June 2022. The Group determined that there was a trigger present for ATP 1107 and some costs attributed to the NT Assets. As such, an impairment provision of $489,000 was recorded during the year ended 30 June 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 30 June 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".

Accounting policy for farm-in arrangements

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

Note 18. Non-current assets - Oil and gas assets

	Consolidated 30 June 2022	30 June 2021
	$'000	$'000
Oil & gas assets - at cost	85,892	85,517
Less: Accumulated amortisation	(12,896)	(10,809)
Less: Provision for impairment	(12,015)	(11,500)
	60,981	63,208
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)
	50,536	52,763

	Consolidated 30 June 2022	30 June 2021
	$'000	$'000
Movements in carrying amounts		
Balance at the beginning of the year	52,763	58,333
Additions	2,271	11,123
Depreciation charge	(2,087)	(5,193)
Transfers to assets held for sale	(1,896)	-
Provision for impairment	(515)	(11,500)
	50,536	52,763

Accounting policy for oil and gas assets

Capitalised oil and gas assets are development costs and expenditures incurred to develop new wells; to define further moveable hydrocarbons in existing tenement areas; to expand the capacity of the project and to maintain production. Development costs also includes costs transferred from the exploration and evaluation phase once production commences in the area of interest.

Amortisation of oil and gas assets is computed by the units of production basis over the estimated proved and probable (2P) reserves. Proved and probable reserves reflect estimated quantities of economically recoverable reserves which can be recovered in the future from known mineral deposits. These reserves are amortised from the date on which production commences. The amortisation is calculated from recoverable proven and probable reserves and a predetermined percentage of the recoverable measured, indicated, and inferred resource. This percentage is reviewed annually.

Restoration costs expected to be incurred are provided for as part of development phase that give rise to the need for restoration. These costs are amortised along with other capitalised oil and gas expenditures as described above.

Provision for impairment of oil and gas assets

Recognition and measurement

The Group assesses impairment of oil and gas assets at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Where applicable, value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

The assessment of the value in use and the decline in production performance in some of Surat Basin production wells indicated the recoverable amount of the Group's Surat Basin CGU could require an impairment for the year ended 30 June 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 2037.

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 55% 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 10% to the future cash flows are based on the weighted average cost of capital, adjusted for the Group's known risks.

The following represents inputs to the future cash flows:

Commodity & Fx Assumptions	FY 2023	FY 2024	FY 2025 and beyond
Oil $USD/bbl	75	75	86
Contracted Gas $AUD/GJ	6.45	6.84	6.51
Spot Market Gas $AUD/GJ	12.00	12.00	12.00
LPG $USD/T	500	500	402
USD/AUD fx rate	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.

Apart from the sale of the Waldegrave (PL28, PL69, PL89, PL320W, PL12W) and Snake Creek East (PL11 and PL11W where the carrying value of the assets was impaired to the value attributed to the assets in the sale contract no other assets were impaired. As such, the Group has recorded an impairment of $515,000 relating to oil and gas assets.

Note 19. Non-current assets - Other financial assets

	Consolidated	
	30 June 2022	30 June 2021
	$'000	$'000
Financial assets at fair value through other comprehensive income	700	5,402
Less: cumulative fair value movement	-	(4,252)
	700	1,150
Financial assurances	5,613	5,613
Security deposits	3,301	4,015
	9,614	10,778

Financial assurances include cash held in term deposit accounts with the Westpac bank and security deposits includes amounts held with various state government agencies and security deposits held for leasing and borrowing requirements.

Borrowing requirements include Secured Amortising Notes which require 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 30 June 2022, this deposit was $1,636,250 (2021: $2,339,000).

Financial assurances and security deposits are cash backed bank guarantees.

	Consolidated	
	30 June 2022	30 June 2021
	$'000	$'000
Movements in financial assets at fair value through Other Comprehensive Income		
Opening balance at 1 July	1,150	1,087
Additions/ (disposals & transfers)	(1,725)	700
Fair Value adjustments through Other Comprehensive Income	1,275	(637)
	700	1,150

Financial assets at fair value through other comprehensive income comprise:

- Ordinary shares and convertible notes in LKO, which were transferred to assets available for sale, refer to note 16.
- 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) was derived by the expected net realisable value of the assets of the company.

Accounting policy for other financial assets.

For equity securities that are not held for trading, the Group has made an irrevocable election at initial recognition to recognise changes in fair value through other comprehensive income rather than profit or loss.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Financial assets with embedded derivatives are considered in their entirety when determining whether cash flows are solely payment of principal and interest. Refer to Note 29 for detail of the Group's fair value accounting policy.

Security deposits and financial assurances are measured at amortised cost.

Note 20. Non-current assets - Right-of-use assets

	Consolidated	
	30 June 2022	*30 June 2021*
	$'000	**$'000**
Motor vehicles - right-of-use	2,169	2,055
Less: Accumulated depreciation	(1,061)	(694)
	1,108	1,361

Accounting policy for right-of-use assets

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

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment in line with AASB138 *Impairment of Assets* or adjusted for any remeasurement of lease liabilities.

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

Note 21. Current liabilities - Trade and other payables

	Consolidated	
	30 June 2022	*30 June 2021*
	$'000	**$'000**
Trade payables	7,192	3,820
Deposits Held	1,551	2,075
Accrued expenses	1,404	1,938
Other payables	1,938	1,009
GST payable	58	124
Unearned Income	-	59
Other tax liabilities	42	31
Trade payables	12,184	9,056

Accounting policy for trade and other payables

These amounts represent financial liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid.

Financial liabilities are carried at amortised cost and are initially measured at fair value including transaction costs. They are subsequently measured at amortised cost using the effective interest rate method.

Details on how the fair value of financial instruments is determined are disclosed in Note 29.

Trade payables are non-interest bearing and are generally on 30-60 days terms. Due to their short-term nature trade and other payables are not discounted.

Note 22. Current and non-current liabilities - Lease liabilities

	Consolidated	
	30 June 2022	30 June 2021
	$'000	$'000
Current Lease liability	274	369
Non-Current Lease liability	851	964
	1,125	1,333

Refer to note 30 for further information on financial risk management.

Accounting policy for lease liabilities

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

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

Note 23. Current and non-current liabilities - Employee benefits

	Consolidated	
	30 June 2022	30 June 2021
	$'000	$'000
Current Employee Benefits	454	497
Non-Current Employee Benefits	49	32
	503	529

Accounting policy for employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable

Long-term employee benefits

The liability for long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wages and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on Australian corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Note 24. Current liabilities – Borrowings

	Consolidated	
	30 June 2022	30 June 2021
	$'000	$'000
Tribeca Loan Facility	5,189	5,229
Secured Amortising Notes	10,450	8,800
Secured Amortising Notes - issue costs	(469)	(469)
Redeemable Exchangeable Notes	6,177	-
Other facilities	476	60
	21,821	13,620

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

Facility terms and security disclosures

Tribeca loan facility

On 26 July 2018, Armour Energy Limited and its subsidiary, Armour Energy (Surat Basin) Pty Ltd (Armour Surat) entered into a credit facility agreement (Tribeca Facility Agreement) with Equity Trustees Limited (in its capacity as the trustee of the Tribeca Global Natural Resources Credit Fund) and Tribeca Global Natural Resources Credit Master Fund (together Tribeca) for the provision of an environmental bonding finance facility. The Facility is secured by a guarantee from the Company, in seven bank accounts controlled by Westpac Banking Corporation (the Credit Accounts) in the name of Armour Surat, and a second ranking featherweight security interest over all the present and after-acquired property of Armour Surat.

The Tribeca Facility has a 9% per annum coupon rate payable by Armour Surat quarterly in arrears on amounts drawn. In consideration of Tribeca entering into an Amendment Agreement, Armour issued Tribeca a total of 48,333,334 listed options with ASX code AJQOA which are exercisable at $0.05 and expire on 29 February 2024. On 29 December 2021 Armour entered into an agreement to issue 145,000,000 Shares and 24,166,666 listed Options to Talbragar River Holdings Pty Ltd and 145,000,000 Shares and 24,166,667 listed Options to PECAL Pty Ltd to be sold with the proceeds to be remitted to Armour less an administrative fee. The net proceeds will be solely applied to paydown the Tribeca facility balance outstanding. As at 30 June 2022, 45,000,000 shares had been sold under this arrangement and proceeds of $186,173 received and used to pay down the balance on the Tribeca facility.

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. These notes, which mature 31 October 2022, are unsecured and fully subordinated to the Secured Amortising Notes and Tribeca Facility. Interest is incurred at 15% per annum, with the interest being payable on exchange, maturity, or redemption. MOG and Armour intend to obtain all necessary approvals and consents to allow for the exchange of the MOG Notes being subscribed for by DGR and the existing MOG Notes already on issue (together with any accrued and unpaid interest) into Armour Convertible Notes.

	Consolidated	
	30 June 2022	30 June 2021
	$'000	$'000
Movement in carrying amounts		
Face value of loan facility	6,759	6,759
Issue costs of loan facility	(137)	(137)
Other equity securities - value of conversion rights, net of issue costs	(2,893)	(2,893)
Net repayments at NPV	(1,118)	(1,261)
Amortisation of conversion rights	2,576	2,739
Amortisation of issue costs	3	22
	5,189	5,229

Note 25. Non-current liabilities – Borrowings

Total secured liabilities

	Consolidated	
	30 June 2022	30 June 2021
	$'000	$'000
Secured Amortised Notes	14,467	24,917
Secured Amortised Notes - issue costs	(571)	(1,040)
	13,896	23,877

	Consolidated	
	30 June 2022	30 June 2021
Total current and non-current	$'000	$'000
Secured Amortising Notes		
Face value of Secured Amortising Notes	24,917	33,717
Issue costs of Secured Amortising Notes	(2,351)	(2,351)
Amortisation of Secured Amortising Notes costs	1,311	842
	23,877	32,208

Facility terms and security disclosures

Secured Amortising Notes

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

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

- Issue date of 29 March 2019, with 55,000 $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 include:

- 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.

Repayments of $8.8 million were made during the financial year.

Refer to Note 30 for further information on financial risk management.

Accounting policy for borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Note 26. Non-current liabilities - Provision for restoration and abandonment

	Consolidated	
	30 June 2022	30 June 2021
	$'000	$'000
Restoration and abandonment	6,688	6,688

Key judgement - provision for rehabilitation

The Group's restoration and abandonment obligations for the Surat Basin processing plant and associated exploration and production fields is treated as a non-current liability in accordance with AASB 137 - Provisions, Contingent Liabilities and Contingent Assets. The restoration and abandonment liability are valued by the Financial Provisioning Scheme in accordance with legislative requirements as required. For the provision recognised at 30 June 2022, the facts and circumstances do not suggest that the carrying amount of the provision has materially changed.

Accounting policy for restoration provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event. It is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Provisions for rehabilitation and abandonment of Oil and Gas assets are measured at the cost of legal and constructive obligations to restore operating locations in the period in which the obligation arises. The nature of rehabilitation activities includes the removal of facilities, abandonment of wells and restoration of affected areas. Typically, the obligation arises when the asset is installed at the production location.

A provision has been recognised for the costs to be incurred for the restoration and abandonment of the Surat Basin processing plant and associated exploration and production fields, used for the production of oil, gas, LPG and condensate. It is anticipated that the sites will require restoration in approximately 20 years.

Note 27. Equity - Issued capital

Issued and paid-up capital

	Consolidated			
	30-Jun-22	30-Jun-21	30-Jun-22	30-Jun-21
	Shares	Shares	$'000	$'000
Ordinary shares - fully paid	2,039,451,327	1,529,816,120	154,633	141,876
Share issue costs	-	-	(10,739)	(10,194)
Recognition of deferred tax asset relating to share issue costs	-	-	2,089	2,089
	2,039,451,327	1,529,816,120	145,983	133,771

Movements in ordinary share capital

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

Details	Date	Shares	Issue price	Value
Share issues for supplier payment	7-Jul-21	5,344,617	$0.03	143
Placement	9-Jul-21	80,407,143	$0.04	2,814
Employee issued shares*	9-Aug-21	12,124,630	$0.03	303
Employee issued shares*	9-Aug-21	360,000	$0.02	7
Share issues for supplier payment	9-Aug-21	7,484,481	$0.03	187
Share issues for supplier payment	12-Aug-21	1,924,455	$0.03	60
Placement	29-Sep-21	220,192,320	$0.03	5,725
Employee issued shares*	6-Oct-21	8,793,109	$0.03	237
Share issues for supplier payment	8-Nov-21	3,939,519	$0.03	98
Share issues for supplier payment	8-Nov-21	1,260,417	$0.02	30
Placement	23-Dec-21	95,192,307	$0.03	2,475
Share issues for supplier payment	23-Dec-21	1,016,053	$0.02	19
Employee issued shares*	17-Jan-22	9,723,263	$0.02	194
Share issues for supplier payment	17-Jan-22	2,090,000	$0.02	42
Employee issued shares*	14-Apr-22	9,936,018	$0.02	159
Share issues for supplier payment	14-Apr-22	4,846,875	$0.02	78
Share issued for Tribeca debt repayment**	2-May-22	45,000,000	$0.00	186
Share issue costs				(545)
Balance	30-Jun-22	2,039,451,327		145,983

* Certain staff members have agreed to accept shares in lieu of cash salaries
** Refer to note 24 for details of this arrangement

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%
9/07/2021[1]	29/02/2024	66,355,466	$0.05	100.00%
29/09/2021[2]	29/02/2024	73,397,439	$0.05	100.00%
24/12/2021[3]	29/02/2024	64,530,769	$0.05	100.00%
2/05/2022[4]	29/02/2024	12,083,333	$0.05	100.00%
2/05/2022[5]	29/02/2024	48,333,334	$0.05	100.00%
Balance		774,381,418		

[1] In July 2021, 20,101,786 options were issued for nil consideration as free attaching securities to 80,407,143 Placement Shares of the same date. The remaining 46,253,680 options were issued as partial consideration to various parties for the management of the Company's capital raising program.

[2] In September 2021, 73,397,439 options were issued for nil consideration as free attaching securities to 220,192,320 Placement Shares of the same date.

[3] In December 2021, 31,730,769 options were issued for nil consideration as free attaching securities to 95,192,307 Placement Shares, the remaining 32,800,000 options were issued as partial consideration to various parties for the management of the Company's capital raising program.

[4] In May 2022, 12,083,333 options were issued to Talbragar River Holdings Pty Ltd as a component of the arrangements to settle the Tribeca Facility.

[5] In May 2022, 48,333,334 options were issued to Tribeca as a component of the arrangements to settle the Tribeca Facility and in consideration of Tribeca entering into an Amendment Agreement.

In total, there were 264,700,341 (2021: 423,496,239) options issued in financial year 2022, exercisable at 5 cents and expiring 29 February 2024.

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the number of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The Group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

Accounting policy for issued capital

Ordinary shares are classified as equity.

The fair value of the shares issued to settle outstanding debts to suppliers is based on the market value of the shares at the date of issue.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Note 28. Equity - Reserves

	Consolidated	
	30 June 2022	30 June 2021
	$'000	$'000
Financial assets at fair value through other comprehensive income reserve	(4,876)	(5,977)
Share-based payments option reserve	4,903	4,903
Performance shares reserve	98	98
Tribeca Loan Option Reserve*	-	2,893
	125	1,917

*Options expired during the financial year

Financial assets at fair value through other comprehensive income reserve

The reserve is used to recognise increments and decrements in the fair value of financial assets at fair value through other comprehensive income.

Share-based payments reserve: Options and Performance shares

The reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and other parties as part of their compensation for services.

Tribeca Loan Option Reserve

The reserve is used to recognise the value of equity benefits provided to Tribeca as part of the Tribeca bonding facility arrangements. These options have expired during the year and no longer form part of the equity reserve.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

	Financial assets at fair value through OCI	*Share-based payments option reserve*	*Performance shares reserve*	*Equity conversion right - Tribeca Loan*	*Total*
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 July 2020	(5,340)	4,887	6	2,893	2,446
Revaluation - gross	(637)	-	-	-	(637)
Share-based payments	-	16	92	-	108
Balance at 30 June 2021	(5,977)	4,903	98	2,893	1,917
Revaluation - gross	1,101	-	-	-	1,101
Transfers on expiry of options	-	-	-	(2,893)	-
Balance at 30 June 2022	(4,876)	4,903	98	-	125

Note 29. Fair value measurement

Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured, or disclosed at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

		Consolidated			
	Year	**Level 1**	**Level 2**	**Level 3**	**Total**
		$'000	**$'000**	**$'000**	**$'000**
Financial assets (liabilities) at fair value through other comprehensive income	2022	-	-	700	700
	2021	-	-	1,150	1,150

Assets and liabilities held for sale are measured at fair value.

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

The financial asset held at 30 June 2022 are shares held in Auburn Resources NL. These shares were received for the sale of Ripple Resources Pty Ltd. The level 3 inputs used in determining the fair value of the Auburn Resources NL investment is based on seed capital raising programs held in August, September and November 2021. This program issued shares with an issue price of 12.5 cents per share.

Accounting policy for fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs, and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 30. Financial risk management

General Objectives, Policies and Processes

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

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies, and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in this note.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function.

The overall objective of the Board is to set polices that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls, and risk limits. Finance identifies, evaluates and manages financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

Further details regarding these policies are set out below.

Market risk

Market risk arises from the use of interest bearing, tradable and foreign currency financial instruments and investments in listed securities. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

The Group is exposed to market risk on investments in equity securities, and these investments are measured at fair value based one the expected net realisable value of the assets of the company. Management considers market risk on this class of assets to be minor given the low value of the assets, and stability of the assets underlying the investments.

Price risk

The Group has short-term and longer-term commercial contracts for the sale of its oil and gas products, some of which contain pricing which is adjusted annually for the Consumer Price Index (CPI) and some of which are set with reference to the variable Australian domestic gas price.

To manage these exposures, forward Australian domestic price forecasts are monitored regularly and reported to the board.

Commodity price risk

The Group is exposed to the risk of fluctuations in prevailing market commodity prices on the gas and associated liquid products it produces. The Group is not of a size to have influence on gas or other petroleum product prices and is therefore a price-taker in general terms. The Group manages this risk by continuously monitoring actual and forecast commodity prices and analysing the impact these changes will have on profitability and cashflow.

Interest rate risk

Interest rate risk arises principally from cash and cash equivalents. The Company's secured amortising notes has a fixed coupon rate, and thus no variable interest rate exposures. The objective of interest rate risk management is to manage and control interest rate risk exposures within acceptable parameters while optimising the return.

For further details on interest rate risk refer to the tables below.

As at the reporting date, the Group had no variable rate borrowings outstanding.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references, and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

Credit risk is reviewed regularly by the Board. It arises from exposure to receivables as well as through deposits with financial institutions.

The Group's cash at bank and financial assurances are held with Australian financial institutions to mitigate credit risk, being Macquarie Bank (local currency short term rating A-2) and Westpac (local currency short term rating A-1+).

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

Liquidity risk

Liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity risk is the risk that the Group may encounter difficulties raising funds to meet financial obligations as they fall due. The objective of managing liquidity risk is to ensure, as far as possible, that the Group will always have sufficient liquidity to meets its liabilities when they fall due, under both normal and stressed conditions.

Liquidity risk is reviewed regularly by the Board.

For further details on liquidity risk refer to the tables below.

Financing arrangements

The Group had no access to undrawn borrowing facilities at the end of the reporting period (2021: NIL).

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been prepared based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

		Weighted average interest rate	*1 year or less*	*Between 1 and 2 years*	*Between 2 and 5 years*	*Remaining contractual maturities*
	Year	***%***	***$'000***	***$'000***	***$'000***	***$'000***
Non-derivatives						
Non-interest bearing						
Trade payables	**2022**	-	**12,185**	-	-	**12,185**
	2021	-	9,056	-	-	9,056
Interest-bearing - fixed rate						
Tribeca facility	**2022**	**9.00%**	**5,189**	-	-	**5,189**
	2021	9.00%	5,516	-	-	5,516
Secured Amortising Notes	**2022**	**8.75%**	**12,299**	**15,236**	**-**	**27,535**
	2021	8.75%	11,462	12,299	15,236	38,997
Exchangeable Notes	**2022**	**15.00%**	**6,177**	**-**	**-**	**6,177**
	2021	-%	-	-	-	-
Lease liability	**2022**	**8.88%**	**382**	**295**	**715**	**1,391**
	2021	8.88%	391	295	1,009	1,695

Interest payable on the Secured Amortising Notes is quarterly in arrears. The Secured Amortising Notes mature on 29 March 2024. The Group manages liquidity risk by monitoring forecast cash flows and liquidity ratios such as working capital.

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed.

Note 31. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 3:

Name	*Principal place of business / Country of incorporation*	Ownership interest	
		30-June-2022	30-June-2021
		%	%
Armour Energy (Victoria) Pty Ltd	Victoria / Australia	100.00%	100.00%
Armour Energy (Surat Basin) Pty Ltd	Queensland / Australia	100.00%	100.00%
Armour Energy (Queensland) Pty Ltd	Queensland / Australia	100.00%	100.00%
McArthur Oil and Gas Limited	Queensland / Australia	100.00%	100.00%
McArthur NT Pty Ltd	Queensland / Australia	100.00%	100.00%
CoEra Pty Ltd	South Australia/ Australia	100.00%	100.00%
Cordillo Energy Pty Ltd	South Australia/ Australia	100.00%	100.00%
Holloman Petroleum Pty Ltd	South Australia/ Australia	100.00%	100.00%

Note 32. Interests in joint operations

Information relating to joint operations that are material to the Group are set out below:

Name	*Principal place of business / Country of incorporation*	Ownership interest	
		30-June-2022	30-June-2021
		%	%
ATP119P South – Waldegrave*	Queensland, Australia	46.25%	46.25%
ATP119P South - Snake Creek East*	Queensland, Australia	25.00%	25.00%
ATP 212P - PL 30	Queensland, Australia	90.00%	90.00%
ATP212P - PL512, PPL22	Queensland, Australia	84.00%	84.00%
Weribone Pooling Area	Queensland, Australia	50.64%	50.64%
PCA157 Bainbilla Block	Queensland, Australia	24.75%	24.75%
ATP 754P	Queensland, Australia	50.00%	50.00%
PEP 169	Victoria, Australia	51.00%	51.00%
PEP 166	Victoria, Australia	25.00%	25.00%
Kanywataba Block	Uganda	16.82%	16.82%

* ATP 119P was subject to sale contract with PZE (Surat) Pty Ltd refer to Note 16

Accounting policy for joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group entered into joint arrangement with various parties for interest in exploration tenements as disclosed above. Exploration expenditures incurred in relation to these joint operations have been capitalised in accordance with AASB 6 Exploration for and Evaluation of Mineral Resources.

Note 33. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	30-June-2022	30-June-2021
	$'000	$'000
Profit/ (Loss) after income tax	(7,426)	(8,638)
Other Comprehensive income for the year, net of tax	1,101	(637)
Total Comprehensive income	(6,325)	(9,275)

Statement of financial position

	Parent	
	30-June-2022	30-June-2021
	$'000	$'000
Total current assets	870	941
Total assets	89,992	85,897
Total current liabilities	19,430	12,491
Total liabilities	38,760	36,385
Equity		
Issued capital	145,983	133,771
Financial assets at fair value through other comprehensive income reserve	(4,876)	(5,977)
Share-based payments option reserve	4,903	4,903
Performance shares reserve	98	98
Tribeca Loan Option Reserve	-	2,893
Accumulated losses	(94,876)	(86,176)
Total equity	51,232	47,137

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

As at 30 June 2022, the parent entity is a guarantor for its subsidiary Armour Energy (Surat Basin) Pty Ltd for debts relating to the Tribeca loan facility.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

Note 34. Related party transactions

Parent entity

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

Subsidiaries

Interests in subsidiaries are set out in Note 31.

Joint Operations

Interests in joint ventures are set out in Note 32.

Key management personnel

Disclosures relating to key management personnel are set out in Note 35 and the remuneration report included in the Directors' report.

Transactions with related parties

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

	Consolidated	
	30 June 2022	*30 June 2021*
	$	$
Payment for goods and services:		
Payment for services from entity with significant influence - DGR Global Ltd[1]	456,000	456,000
Payment for services from other related party - Bizzell Capital Partners[2]	503,927	468,505

[1] The Group has a commercial arrangement with DGR Global Ltd (a major shareholder) for the provision of various services, whereby DGR Global provides resources and services including the provision of its administration staff, its premises (for the purposes of conducting the Group's business operation), use of existing office furniture, equipment, and certain stationery, together with general telephone, reception and other office facilities ("Services").

In consideration for the provision of the Services, the Group pays DGR Global a monthly management fee of $38,000 (2021: $38,000). For the year ended 30 June 2022 $456,000 (2021: $456,000) was paid or payable to DGR Global for the provision of the Services. The total amount outstanding at year end was $797,918 (2021: $243,424). As at 30 June 2022 DGR Global held 4,550 secured amortising notes totalling $4,550,000 (2021: 4,550). The notes were purchased on the same terms and conditions as other noteholders.

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

Armour Energy & McArthur Oil & Gas completed capital raising during the year with Bizzell Capital Partners jointly lead capital raisings and was paid, along with related entities management, capital raising fees and other fees totalling $503,927 (FY2021: $468,505) on arm's length terms.

As at 30 June 2022, Bizzell Capital Partners and related entities controlled by Mr Stephen Bizzell held 6 million unquoted options, 54,016,932 quoted options, 425,000 MOG notes and 100 Senior Secured Amortising notes (2021: 6 million unquoted options, 26,392,319 quoted options and 100 Senior Secured Amortising notes). The notes were purchased on the same terms and conditions as all other bondholders.

Company debt instruments held by key management personnel

The number of convertible notes in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Notes held at the start of the year	Additions	Disposals/ Other	Notes held at the end of the year
	No.	No.	No.	No.
Secured amortising notes holdings				
Stephen Bizzell	100	-	-	100

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

Note 35. Key management personnel disclosures

Compensation

The aggregate compensation made to Directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	30 June 2022	30 June 2021[1]
	$	$
Short-term employee benefits	1,365,168	1,155,890
Post-employment benefits	88,139	65,127
Share-based payments	214,123	246,479
Short-term non-monetary benefits	106,503	91,533
	1,773,933	1,559,029

Refer to the Remuneration Report on pages 41 to 51.

Note 36. Share-based payments

Types of share-based payments

Employee Share Option Plan (ESOP)

Share options are granted to employees. The employee share option is designed to align participants' interests with those of shareholders by increasing the value of the Armour Energy Ltd.'s shares.

When a participant ceases employment prior to the vesting of their share options, the share options are forfeited after 90 days unless cessation of employment is due to termination for cause, whereupon they are forfeited immediately or death. The Group prohibits KMP's from entering into arrangements to protect the value of unvested ESOP awards.

The contractual life of each option granted is generally three years. There are no cash settlement alternatives. Each option can be exercised from vesting date to expiry date for one share with the exercise price payable in cash.

Summary of share-based payment plans

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share-based payment share options granted during the year under the employee share option plan.

	2022 WAEP	2022 Number	2021 WAEP	2021 Number
Outstanding at the beginning of the year	$0.05	2,000,000	$0.33	6,750,000
Issued during the year		-	$0.05	2,000,000
Expired during the year		-	$0.33	(6,750,000)
Outstanding/ exercisable at the end of the year	$0.05	2,000,000	$0.05	2,000,000

There were no options issued to employees and Directors under the Armour Energy Employee Share Option Plan during 2022 (2021: NIL). The options issued during the year are part of an independent contractor agreement. The options outstanding as at 30 June 2022 expire 29/2/2024 and have an exercise price of $0.05 (share price on grant date $0.021).

Other option issues

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

		Consolidated		
	2022 WAEP	*30 June 2022 Number*	2021 WAEP	*30 June 2021 Number*
Balance at the start of the year	$0.150	49,000,000	$0.15	49,000,000
Granted during the year[2,3]	$0.050	48,333,334		-
Expired during the year[1]	$0.161	(41,000,000)		-
Exercisable at the end of the year	$0.054	56,333,334	$0.15	49,000,000

The opening balance of options were issued in two tranches:

[1] On 31 July 2018, the Company issued 41,000,000 options to Tribeca Global Resources Credit Master Fund (Tribeca) at an exercise price of $0.166 per ordinary share (adjusted to $0.161 per ordinary share following the 2018 entitlement issue). The options were issued as part of the agreement for Tribeca to provide a $6.8 million environmental bonding funding facility (see the financial liabilities note 24 for further details). These options expired on 31 July 2021.

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

[3] In consideration of Tribeca entering into an Amendment Agreement, Armour issued Tribeca a total of 48,333,334 listed options with ASX code AJQOA which are exercisable at $0.05 and expire on 29 February 2024.

Performance rights shares

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

	Consolidated	
	30 June 2022	*30 June 2021*
	Number	Number
Balance at the start of the year	7,200,000	7,200,000
Granted during the year	-	-
Expired during the year*	(5,850,000)	-
	1,350,000	7,200,000

*Non vested portion of Mr Lingo's performance shares forfeited on resignation

Share-based payment expense

Option expense

There was no option expense recognised in the statement of profit or loss for the year ended 30 June 2022 (2021: $16,000).

Performance shares expense

There was no option expense recognised in the statement of profit or loss for the year ended 30 June 2022 (2021: $92,000).

The balance of the share-based payment expense relates to shares not yet issued at 30 June 2022.

Share issue costs

There were approximately 441m (2021:14.3m) ordinary shares issued $11,014,000 (2021: $284,000) in lieu of cash for invoices related to the management of the capital raises performed during the year.

Other transactions settled in shares

For the year ended 30 June 2022 $920,000 of employment benefits were taken as ordinary shares in lieu of cash (2021: $287,000).

Value of share issued to creditors for various services delivered during the year totalled $638,000.

There were approximately 48m options issued with an exercise price of $0.05 as part of the negotiations to extend the Tribeca loan facility during the year.

Accounting policy for share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees or supplier in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Note 37 Commitments

	Consolidated	
	30 June 2022	30 June 2021
	$'000	$'000
Exploration Expenditure Commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	25,034	14,952
One to five years	112,043	14,722
More than five years	3,627	2,127
	140,704	131,801

Capital Commitments

The Group has certain obligations to expend minimum amounts on exploration in tenement areas. These obligations may be varied from time to time and are expected to be fulfilled in the normal course of operations of the Group. The commitments are to keep tenements in good standing, work programs should meet certain minimum expenditure requirements. If the minimum expenditure requirements are not met, the Group has the option to negotiate new terms or relinquish the tenements. The Group also has the ability to meet expenditure requirements by joint venture or farm-in agreements.

Note 38. Contingent liabilities

Exploration Liabilities

Under the Company's native title agreement over EP 171 and EP 176, the Company is required to pay the greater of either $10,000 or 3% of exploration costs on each anniversary date.

Under the Company's native title agreement over EP 174, EP 190, EP 191 and EP 192, the Company is required to pay the greater of either $5,000 or 3% of exploration costs on each anniversary date.

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

Other than the above, the Group had no other contingent assets or liabilities at 30 June 2022.

Note 39. Events after the reporting period

Other than the below subsequent events, no other matter or circumstance has arisen since 30 June 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.

- Other Financial Assets - On 28 March 2022 Armour entered into a number of agreements to dispose of the Company's Lakes Blue Energy NL (LKO) shareholding comprising 2,125,000,000 Ordinary shares under escrow until 2 August 2022 at 0.06c each. The disposal was subject to LKO agreement, and the escrow being retained by buyers.

  The legal ownership transfer of the disposed shares from Armour Energy to the respective purchasers occurred following 30 June 2022. A change in the fair value of these equity investments was adjusted through other comprehensive income and the revalued book value is $1,275,000.The Other Financial Assets current assets held for sale are classified in the Corporate reportable segment.

- Mr Christian Lange was appointed as Chief Executive Officer of the Company on 25 July 2022.

- Armour entered into a funding agreement with Armour's largest shareholder, DGR Global Ltd, for the provision of a $4.5M facility to be drawn over three months. This funding is provided by way of a placement of redeemable exchangeable notes to be issued by Armour's subsidiary, McArthur NT Pty Ltd, 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.

Note 40. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by BDO Audit Pty Ltd and related entities.

	Consolidated	
	30 June 2022	***30 June 2021***
	$	**$**
Audit services - BDO Audit Pty Ltd		
Audit or review of the financial statements	119,252	93,141
Other services - BDO Audit Pty Ltd and related entities		
Other non-audit services*	17,970	2,475
Total	137,222	95,616

*The non-audit services included the advice on solvency and whistleblowing services.

Note 41. Accounting Policies

New and Revised Accounting Standards and Interpretations

Adoption of new and revised accounting standards

Armour has applied the required amendments to Standards and Interpretations that are relevant to its operations and effective for the current reporting period for the first time for the financial year commencing

1 July 2021. These did not have any material impact on the disclosures or on the amounts recognised in Armours consolidated financial statements.

Armour Energy Limited
Directors' Declaration
30 June 2022

The Directors' of the Group declare that:

a) the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
b) the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 2 to the financial statements;
c) the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
d) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors

Nicholas Mather
Executive Chairman

30 September 2022

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Brisbane QLD 4000
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INDEPENDENT AUDITOR'S REPORT

To the members of Armour Energy Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Armour Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of Armour Energy Limited, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 4 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Carrying value of Oil & Gas assets

Key audit matter	*How the matter was addressed in our audit*
Refer to Note 18 in the financial report. The Group has significant oil and gas assets, which represent a major portion of total assets. Due to the quantum of this asset and the subjectivity involved in assessing the asset for impairment we have determined this is a key audit matter.	Our procedures included but were not limited to: • Evaluating management's assessment if any impairment indicators in accordance with AASB 136 *Impairment of Assets* have been identified across the Group's oil and gas projects. • Comparing oil and gas price assumptions against third-party forecasts and relevant market data to determine whether the Group's forecasts were within the range. • Reviewing contracts and agreements with the Group's external customers to understand the existing level of contracted oil and gas sales. • Reviewing the Group's reserve estimation against reports provided by external experts • Performing sensitivity analysis on key assumptions used by the Group to assess the impact on forecasted cash flows. • Selecting a sample of capitalised expenditure additions and agreeing to supporting documentation, as well as ensuring they qualify for recognition as assets under AASB 116 *Property, Plant and Equipment*.

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Carrying value of Exploration and Evaluation assets

Key audit matter	*How the matter was addressed in our audit*
Refer to Note 17 in the financial report. The carrying value of the Group's exploration and evaluation asset is impacted by the Group's ability, and intention, to continue to explore. During the year, the Group continued to focus on its Northern Australia gas exploration projects. The carrying value of the exploration and evaluation assets was a key audit matter due to the significance of the total balance in the statement of financial position and the level of procedures undertaken to evaluate managements application of the requirements of AASB 6 *Exploration for the Evaluation of Mineral Resources* in light of any indicators of impairment that may be present.	Our procedures included but were not limited to: • Obtaining evidence that the Group has valid rights to explore in the areas represented by the capitalised exploration and evaluation expenditure by obtaining supporting documentation such as license agreements and also considering whether the Group maintains the tenements in good standing; • Making enquiries of management with respect to the status of ongoing exploration programs in the respective areas of interest and assessing the Group's cash flow budget for the level of budgeted spend on exploration projects and held discussions with management of the Group as to their intentions and strategy; and • Enquiring of management, reviewing ASX announcements and reviewing directors' minutes to ensure that the Group had not decided to discontinue activities in any applicable areas of interest and to assess whether there are any other facts or circumstances that existed to indicate impairment testing was required.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of the directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included pages 41 to 51 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Armour Energy Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit Pty Ltd

BDO

R M Swaby
Director

Brisbane, 30 September 2022

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Shareholder information

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 6 September 2022.

Distribution Schedules

AJQ – Armour Energy Limited fully paid ordinary shares

Range	Securities	%	No. of holders	%
100,001 and Over	2,214,431,685	98.1%	878	40.3%
50,001 to 100,000	24,072,422	1.1%	307	14.1%
10,001 to 50,000	18,266,831	0.8%	659	30.2%
5,001 to 10,000	1,336,314	0.1%	162	7.4%
1,001 to 5,000	330,068	-%	96	4.4%
1 to 1,000	13,556	-%	78	3.6%
Total	**2,258,450,876**	**100.0%**	**2,180**	**100.0%**
Unmarketable Parcels	31,997,475	1.4%	1,177	54.0%

Unlisted options exercisable at $0.0782 expiring 30 September 2023

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

Unlisted options exercisable at $0.05 expiring 29 February 2024

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

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

Range	Securities	%	No. of holders	%
100,001 and Over	744,229,803	99.4%	211	57.8%
50,001 to 100,000	2,755,362	0.4%	36	9.9%
10,001 to 50,000	1,269,454	0.2%	42	11.5%
5,001 to 10,000	168,836	0.0%	22	6.0%
1,001 to 5,000	116,486	-%	41	11.2%
1 to 1,000	8,143	-%	13	3.6%
Total	**526,036,543**	**100.0%**	**345**	**100.0%**
Unmarketable Parcels	3,271,367	0.4%	143	39.2%

Substantial holders

The Company is aware of the following substantial holdings:

Name	Ordinary Shares – Number Held	Issued Capital %
DGR Global Limited (per notice received 9 July 2021)	374,709,708	16.6%
David Rooke (per notice received 16 October 2020)	66,127,375	11.2%
Mr Paul Cozzi (per notice received 23 July 2021)	161,500,000	7.2%
Aslan Equities Pty Ltd	134,953,356	6.0%
Citicorp Nominees Pty Ltd	121,617,659	5.4%

Twenty largest holders of each quoted class (as at 6 September 2022)

Ordinary Shares (AJQ)

Name	Number held	Issued capital %
DGR GLOBAL LIMITED	374,709,708	16.6%
MR PAUL COZZI	161,500,000	7.2%
ASLAN EQUITIES PTY LTD	134,953,356	6.0%
CITICORP NOMINEES PTY LIMITED	121,617,659	5.4%
ROOKHARP CAPITAL PTY LIMITED	105,000,000	4.6%
TALBRAGAR RIVER HOLDINGS PTY	63,367,933	2.8%
CHOICE INVESTMENTS DUBBO PTY	51,951,472	2.3%
CANCELER PTY LTD	39,000,000	1.7%
MR PAUL AINSWORTH	39,000,000	1.7%
PECAL PTY LTD	25,000,000	1.1%
MR PETER MAROUN KAHWAJI	19,100,000	0.8%
CPS CONTROL SYSTEMS PTY	19,025,382	0.8%
PINEMONT TECHNOLOGIES	18,019,735	0.8%
MR NEVILLE AYROUTH	16,003,338	0.7%
HEALTH CARE MEDICAL AND DENTAL	15,750,000	0.7%
MR MICHAEL ROBERT LAURENT	15,746,333	0.7%
MR SIMON WILLIAM TRITTON	15,012,608	0.7%
PANORAMIC ROAD PTY LTD	13,500,000	0.6%
BU & WANG PROPERTY NOMINEES	13,461,823	0.6%
MR NIKHILKUMAR KANTILAL SHAH	12,892,230	0.6%
Total of Twenty Largest Holders	**1,274,611,577**	**56%**
Total Shares Held	**2,258,450,876**	**100%**

Listed options (AJQOA)

Name	Number held	Issued Options %
DGR GLOBAL LIMITED	132,438,967	18%
J P MORGAN NOMINEES AUSTRALIA	62,829,504	8%
BIZZELL CAPITAL PARTNERS PTY	53,390,427	7%
MR PAUL COZZI	40,186,654	5%
ANTIBELLA PTY LTD	33,066,007	4%
ROOKHARP CAPITAL PTY LIMITED	32,367,088	4%
BERENES NOMINEES PTY LTD	20,250,000	3%
CITICORP NOMINEES PTY LIMITED	18,622,516	2%
CANCELER PTY LTD	15,000,000	2%
CHOICE INVESTMENTS DUBBO PTY	13,553,113	2%
PECAL PTY LTD	12,083,333	2%
MR TONY ADAMS	12,000,000	2%
MERRILL LYNCH (AUSTRALIA)	10,869,565	1%
MR PAUL AINSWORTH	10,000,000	1%
MR PAUL DOMINIC HILLMAN	10,000,000	1%
DR DENNIS RICHARD LOWE	9,832,773	1%
TALBRAGAR RIVER HOLDINGS PTY	9,051,281	1%
MR MICHAEL ALAN TAYLOR	8,500,000	1%
TENSTAR TRADING LIMITED	8,194,931	1%
DR DENNIS RICHARD LOWE &	7,704,505	1%
Total of Twenty Largest Holders	**519,940,664**	**69%**
Total Listed Options Held	**748,548,084**	**100%**

Voting Rights
All ordinary shares carry one vote per share without restriction.

Restricted securities
There are no restrictions over any security holdings as at 13 September 2022.

Corporate Directory

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

Corporate Governance Statement

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