Appendix 5B

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

Name of entity

ARMOUR ENERGY LIMITED

ABN	Quarter ended ("current quarter")
60 141 198 414	30 SEPTEMBER 2020

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	5,380	5,380
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	0	0
	(b) development (capitalised)	(2,036)	(2,036)
	(c) production (including COGS and Royalties)	(6,169)	(6,169)
	(d) staff costs	(2,652)	(2,652)
	(e) administration and corporate costs	(870)	(870)
1.3	Dividends received (see note 3)	0	0
1.4	Interest received	18	18
1.5	Interest and other costs of finance paid	0	0
1.6	Income taxes paid	0	0
1.7	Government grants and tax incentives	419	419
1.8	Other (provide details if material)	0	0
1.9	**Net cash from / (used in) operating activities**	**(6,453)**	**(6,453)**
2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	0	0
	(b) tenements	0	0
	(c) property, plant and equipment	0	0
	(d) exploration & evaluation (if capitalised)	0	0
	(e) investments	0	0
	(f) other non-current assets	0	0
2.2	Proceeds from the disposal of:		
	(a) entities	0	0
	(b) tenements	6,000	6,000

For personal use only

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
	(c) property, plant and equipment	0	0
	(d) investments	0	0
	(e) other non-current assets	3,500	3,500
2.3	Cash flows from loans to other entities	0	0
2.4	Dividends received (see note 3)	0	0
2.5	Other (provide details if material)	0	0
2.6	**Net cash from / (used in) investing activities**	**9,500**	**9,500**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	6,425	6,425
3.2	Proceeds from issue of convertible debt securities	0	0
3.3	Proceeds from exercise of options	0	0
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(6)	(6)
3.5	Proceeds from borrowings	0	0
3.6	Repayment of borrowings	(7,674)	(7,674)
3.7	Transaction costs related to loans and borrowings	0	0
3.8	Dividends paid	0	0
3.9	Other (provide details if material)	0	0
3.10	**Net cash from / (used in) financing activities**	**(1,255)**	**(1,255)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**	**1,792**	**1,792**
4.1	Cash and cash equivalents at beginning of period	3,246	3,246
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(6,453)	(6,453)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	9,500	9,500
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(1,255)	(1,255)
4.5	Effect of movement in exchange rates on cash held	0	0
4.6	**Cash and cash equivalents at end of period**	**5,038**	**5,038**

For personal use only

5.	Reconciliation of cash and cash equivalents *at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts*	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	5,038	3,246
5.2	Call deposits	0	0
5.3	Bank overdrafts	0	0
5.4	Other (provide details)	0	0
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**5,038**	**3,246**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	412
6.2	Aggregate amount of payments to related parties and their associates included in item 2	0

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

7.	Financing facilities *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	Total facility amount at quarter end $A'000	Amount drawn at quarter end $A'000
7.1	Loan facilities	6,759	6,759
7.2	Credit standby arrangements	0	0
7.3	Other (Secured & Amortising Notes)	44,750	44,750
7.4	**Total financing facilities**	**51,509**	**51,509**

7.5	**Unused financing facilities available at quarter end**	0

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Tribeca

26 July 2018 | $6.8 million (Secured Environmental Bond Facility) | 9.0% per annum Coupon rate payable (quarterly in arrears). Maturing on 26 July 2021.

FIIG Securities

29 March 2019 | $55 million (Secured and Amortising Notes) | 8.75% per annum Fixed Interest payable (quarterly in arrears). Maturing on 29 March 2024. Principal repayments of $6.4 million were made in the September 2020 Quarter with the outstanding facility now at $44.75 million.

For personal use only

8.	Estimated cash available for future operating activities	$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(6,453)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	0
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(6,453)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	5,038
8.5	Unused finance facilities available at quarter end (Item 7.5)	0
8.6	Total available funding (Item 8.4 + Item 8.5)	5,038
8.7	**Estimated quarters of funding available (Item 8.6 divided by Item 8.3)**	**0.78**

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

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

Answer:

The net operating cash flows are still impacted by the commodity prices (Gas, Oil & LPG) as a result of COVID-19, however, they are starting to rise again. The cash generating ability of the Kincora Project will continue to increase as the Group's 2020 work program progresses.

In addition, the Company is continuing its cost reduction initiatives including the reduction of salaries and fees, payments in shares, minimisation of field expenditures and administration costs and overheads.

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

Answer:

Armour has a further $2.6 million to be received from the recently announced $15 million capital raise, subject to shareholder approval at the AGM. On 28 October 2020, Armour announced the commencement of a stimulation program that should increase production over November 2020. Additionally, Armour has appointed Ocean Reach Advisory to assist with the Farm-in of the NT acreage and the potential farm-out of the South Nicholson Basin.

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

a. Raising additional capital or securing other forms of financing, as and when necessary to meet the levels of expenditure required to meet the Group's working capital requirements.
b. Reducing its level of capital expenditure through farm-outs and/or joint ventures.
c. Managing its working capital expenditure.
d. Applying for eligible Research and Development tax refund receipts, and other Government incentives; and
e. Disposing of non-core assets.

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

Answer:

Yes, on the basis that the current capital raise, increase in production from the stimulation program and asset transactions, to which Ocean Reach Advisory have been appointed to assist, along with the other cost reduction initiatives, will enable the Company to undertake a modest 2020 work program, fund its operations and meet its business objectives.

For personal use only

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: ***30 October 2020***

Authorised by: ***The Board of Directors***

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

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

For personal use only