

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Name of entity

Armour Energy Limited

ABN

60 141 198 414

Quarter ended ("current quarter")

31 December 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	162	162
1.2 Payments for		
(a) exploration & evaluation	(494)	(621)
(b) development	(1,016)	(1,866)
(c) production	(45)	(46)
(d) staff costs	(341)	(728)
(e) administration and corporate costs	(376)	(651)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	22	22
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material) *	(687)	(681)
1.9 Net cash from / (used in) operating activities	(2,775)	(4,409)

*Other for the quarter includes the payment of legal expenses in connection with the AEGP settlement, takeover defence and business development.

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(42)
(b) tenements (see item 10)	(62)	(1,698)
(c) investments	-	-
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(c) investments	50	2,950
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (security deposits)	25	90
2.6	Net cash from / (used in) investing activities	13	1,350
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	2,975	2,975
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(257)	(257)
3.5	Proceeds from borrowings	1,073	1,226
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	125
3.10	Net cash from / (used in) financing activities	3,791	4,069
4.	Net increase / (decrease) in cash and cash equivalents for the period	1,029	1,010
4.1	Cash and cash equivalents at beginning of period	164	183
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,775)	(4,409)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	13	1,350
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,791	4,069
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,193	1,193

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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	1,193	164
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,193	164

During the quarter ended 31 December 2016, the Company completed the first tranche of its \$40 million capital raising plan announced to the market on 21 November 2016. During Q1 2017, Armour plans to undertake a pro-rata non-renounceable entitlement offer of ordinary shares to existing shareholders on a 1 for 6 entitlement basis at an issue price of 7.6c per share to raise approximately \$4.05 million (Entitlement Offer). The Entitlement Offer is to be fully underwritten by Bizzell Capital Partners Pty Ltd, an entity associated with Armour Director Stephen Bizzell.

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
-
-

N/A

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

N/A

8. Financing facilities available

Add notes as necessary for an understanding of the position

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	5,661	5,353
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

The DGR Loan Facility is secured by a first ranking security and mortgage over unsecured Surat Basin Assets and a fixed and floating charge over the assets of Armour Energy Ltd and subsidiaries and the assets of those subsidiaries. The loan facility is available to Armour Energy until 30 September 2019 at an interest rate of 15 per cent per annum. As part of the capital raising announced to the market on 16 December 2016, DGR converted \$9.4 million of its debt into convertible notes. The amount outstanding at 31 December 2016 post conversion was \$4,861,073.

The BCP Loan Agreement has a facility limit of \$1.3 million, is unsecured and is at an interest rate of 15% per annum and otherwise is on similar terms to the existing secured DGR Loan Facility. On 16 December 2016, Bizzell Capital Partners Pty Ltd converted \$500,000 of its debt into convertible notes. The amount outstanding at 31 December 2016 post conversion was \$491,856.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	215
9.2 Development	-
9.3 Production	1,370
9.4 Staff costs	235
9.5 Administration and corporate costs	415
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	2,235

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	Refer Appendix A in quarterly activity statement.			
10.2 Interests in mining tenements and petroleum tenements acquired or increased	Refer Appendix A in quarterly activity statement.			

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.

Sign here:



(Director/Company secretary)

Date: 31 January 2017

Print name: Karl Schlobohm – Company Secretary

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.