

## 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 March 2017

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	213	375
1.2 Payments for		
(a) exploration & evaluation	(494)	(1,115)
(b) development	(1,151)	(3,017)
(c) production	(48)	(94)
(d) staff costs	(355)	(1,083)
(e) administration and corporate costs	(651)	(1,302)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	24
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	525	525
1.8 Other (provide details if material) *	6	(675)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,952)</b>	<b>(6,361)</b>

\*Other for the year to date column includes the payment of legal expenses in connection with the AEGP settlement, takeover defence and business development.

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(42)
(b) tenements (see item 10)	(1,532)	(3,230)
(c) investments	-	-
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
	(c) investments	79	3,079
	(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)	(49)	41
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(1,503)</b>	<b>(153)</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	4,571	7,546
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(143)	(400)
3.5	Proceeds from borrowings	100	1,326
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)	393	518
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>4,921</b>	<b>8,990</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>	<b>1,466</b>	<b>2,476</b>
4.1	Cash and cash equivalents at beginning of period	1,193	183
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,952)	(6,361)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,503)	(153)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,921	8,990
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>2,660</b>	<b>2,660</b>

Other represents placement funds received to sophisticated investors where the shares had not been allotted at 31 March 2017.

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<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances	2,660	1,193
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,660</b>	<b>1,193</b>

Subsequent to the end of the quarter a further \$2.7m of convertible notes has been subscribed for. As announced to the market on 26 April 2017, the Company's capital raising plans have increased by up to \$10 million taking the capital raising program to over \$50 million in total. A total of \$19m worth of Convertible Notes has now been subscribed for to date with a further \$13m committed subject to the satisfaction of certain conditions precedent and the obtaining of any necessary approvals. A \$1m placement of ordinary shares at an issue price of 7.6c per share was also completed subsequent to the end of the quarter. Launch of a previously announced 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 \$4.25 million (Entitlement Offer) to occur in May 2017. Entitlement Offer is to be fully underwritten by Bizzell Capital Partners, an entity associated with Armour director Stephen Bizzell.

**6. Payments to directors of the entity and their associates**

	<b>Current quarter \$A'000</b>
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	

N/A

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

	<b>Current quarter \$A'000</b>
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	

N/A

**8. Financing facilities available**

*Add notes as necessary for an understanding of the position*

<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
5,661	5,225
-	-
-	-

8.1 Loan facilities

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. The amount outstanding at 31 March 2017 post conversion was \$5,092,738.

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 January 2017, Bizzell Capital Partners Pty Ltd converted an additional \$500,000 of its debt into convertible notes, bringing the total repaid of the BCP Loan Facility via issue of convertible notes to \$1 million. The amount outstanding at 31 March 2017 post conversion was \$129,721. The remaining balance of the BCP Loan Facility was repaid subsequent to the end of the quarter.

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	400
9.2 Development	1,293
9.3 Production	2,935
9.4 Staff costs	599
9.5 Administration and corporate costs	698
9.6 Other (provide details if material)	-
<b>9.7 Total estimated cash outflows</b>	<b>5,925</b>

<b>10. Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
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.			

+ See chapter 19 for defined terms.

**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: 28 April 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.