



QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDED 31 MARCH 2018

HIGHLIGHTS

- **Kincora Project – Quarterly revenue increased by 70%, \$2.86m to \$5.07m.**
- **Kincora Project – Liquids production exceeds expectations.**
- **Kincora Project – Phase 2 of growth strategy progressing with preparation for first production well and engineering studies on the Kincora Gas Plant.**
- **Kincora Exploration – Armour awarded further Roma Shelf petroleum exploration acreage near its Kincora production facilities.**
- **Northern Territory Fracking Moratorium Lifted – the NT Government has announced it will adopt recommendations made by the Inquiry, and that work on a detailed implementation plan will be released in July this year.**
- **Corporate:**
 - **Positive cashflow from Operating Activities for the quarter whilst still ramping up production.**
 - **Further \$5.1 million raised via convertible notes, including MH Carnegie subscription of a further \$5 million.**
 - **Successful application for \$6 million in Federal Government Gas Acceleration Program (GAP) funding.**

ASX CODE: AJQ

CAPITAL STRUCTURE – 27 April 2018

SHARES ON ISSUE

405,175,941

CONVERTIBLE NOTES ON ISSUE

375,200,950

MARKET CAPITALISATION¹

\$36.5m (at 9 cents per share)

(1. undiluted for options and convertible notes)

DIRECTORS

Nicholas Mather (Chairman)

Matthew Beach

Stephen Bizzell

Roland Sleeman

William Stubbs

Eytan Uliel

CHIEF EXECUTIVE

Roger Cressey

COMPANY SECRETARY

Karl Schlobohm

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Overview

The March Quarter has been a busy period for Armour Energy and has seen the business achieve planned milestones as it continues its path to become the Surat Basin's pre-eminent Oil and Gas producer.

Given Armour's extensive surface and sub-surface assets, Armour's management and Board considers that the Kincora Gas Project is well positioned to bring significant new gas volumes to help address east coast markets supply shortfall issues. The Company considers this view to be shared at the Federal and State Government levels, as demonstrated through the Gas Acceleration Program grant award and the recent granting to Armour of further exploration acreage in the Surat Basin.

Achievements for the quarter include:

- ✓ The restart of the LPG circuit and processing of gas, rich in liquid hydrocarbons;
- ✓ Averaging 9 TJ/day of gas production for over half the quarter, delivering increased cashflow;
- ✓ Sales of liquid hydrocarbon condensate and LPG commenced in February 2018;
- ✓ First quarter of positive cashflows from operating activities (see quarterly cashflow report for further details);
- ✓ Successful application for \$6 million grant from the inaugural Federal Government Gas Acceleration Program;
- ✓ Preferred tenderer for tender area PLR201718-1-2 on the Roma Shelf, in the Surat Basin.

Armour expects to continue to achieve more milestones next quarter as the Company continues to mature phase 2 of the 3-phase growth strategy. During the next quarter, Armour intends to spud its first production well and conclude initial engineering studies on the Kincora Gas Plant. Both of these activities are critical path items to progressing to the phase 2 target of 20 TJ/day.

Kincora Project – Sales Update

The March 2018 Quarter has seen continued growth in sales of Gas and the first quarter of sales of LPG and Condensate. Oil sales from Emu Apple were down for the quarter due to maintenance.

Gas sales for the quarter were predominately from existing wells, with just over 2 TJ/day on average coming from the Newstead Gas Storage facility. Daily nominations and monthly revenue have increased from 5 TJ/day / \$980,496 in December 2017 to 9 TJ/day / \$2,235,459 in March 2018. The impact on sales revenue is significant given the 5 TJ/day was from only dry gas out of Newstead, while the 9 TJ/day was predominately liquid rich gas, therefore providing LPG and condensate by-products which contributed strongly to sales revenue.

The performance of the existing wells that have been brought back into production has been stronger than expected, with the wells having recharged during the period they were shut-in since the previous operator ceased production. Armour is currently in the process of bringing on line the field compression units.

Once completed, Armour will be in a position to bring remaining existing wells back on line, and maximise production from these wells until new production wells are drilled and also brought on line.

Sales of LGP and Condensate commenced at the start of February 2018 and production commenced at higher rates than were predicted. While it is pleasing to have higher liquids production from the existing wells, it is Armour's expectation that the liquids to gas ratio will revert to historical averages in the near future.

Sales	March Quarter, Q3 FY18	December Quarter, Q2 FY18	Quarter on Quarter Movement
Sales revenue (\$ million)	\$5.07	\$2.86	\$2.21
Average Gas Sales per Day per Quarter (TJ/day)	7.8	5.0	2.8

Kincora Project – Phase 2 Underway

During the March Quarter, Armour completed phase 1 and has commenced phase 2 of its 3 phase growth strategy.

Phase 2 focuses on ramping up to and ensuring Armour can safely and reliably deliver 20 TJ/day of gas to Australian east coast gas market. Key elements to delivering the 20 TJ/day include the subsurface development plan, bringing on new production wells and performing engineering studies on the Kincora Gas Plant, to obtain a deep understanding of its performance and potential production bottlenecks.

The subsurface team has developed the subsurface plan, and a significant number of wells across multiple fields are now in the inventory catalogue. The Company has entered a conditional contract to drill the first new production well in Q2 2018.

Armour is advancing its planning for a performance assessment of the Kincora Gas Plant, and has appointed WorleyParsons to carry out the performance assessment, including gathering data, analysing and reporting. The assessment is planned for the coming months and is being designed to provide information on the performance and reliability of the gas plant. From this information, further engineering studies will be performed as required, and maintenance scheduling will be updated to ensure the plant operates in a safe and reliable manner as the Company increases production to 20 TJ/day.

PPL63 Update

As advised on 2 January 2018, a section of the pipeline from the Myall Creek compressor station to Kincora (PPL63) was being operated at flow rates lower than historically achieved (at a reduced operating pressure of 3 MPa) until further testing was to be completed. Since then, Armour performed an intelligent pig inspection on this pipeline. From this inspection, several defects were identified and initial dig ups and rectification work performed. From this initial work, Armour's pipeline engineers were able to re-rate the pipeline up to 7 MPa.

Armour has been advised that by performing four further repairs, the pipeline can be re-rated back to its original operating pressure of 10.2 MPa and return to a flow rate capacity of up to 14 TJ/day. These further dig ups and repairs are scheduled for the coming weeks.

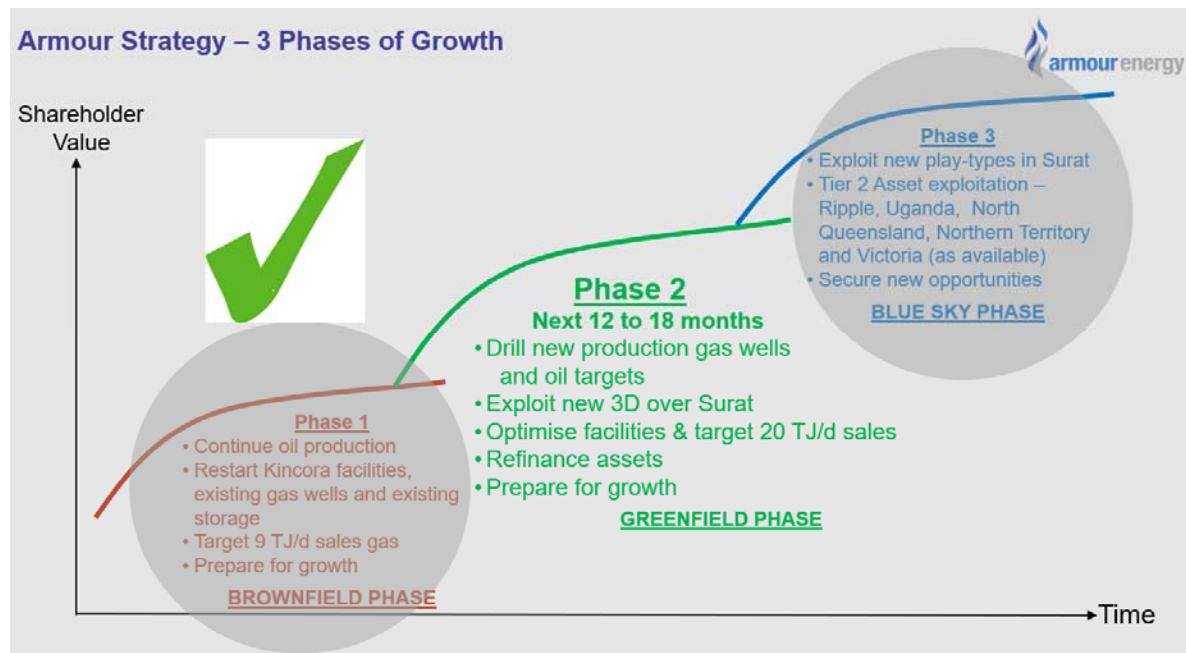


Figure 1: Armour’s 3 Phases of Growth plan.

Kincora Exploration – Awarded Further Petroleum Acreage

Armour Energy was successful in being awarded petroleum acreage under the Queensland Government competitive tender process. The tender area was PLR201718-1-2 on the Roma Shelf, in the Surat Basin, comprising 318km² of highly prospective petroleum ground, and was awarded in consideration for the Company’s tendered work program.

The tender area is contiguous with Armour’s PLs 14, 21, 22 and 227 (refer map per **Figure 2**, over). Armour has recently restarted production through its Kincora Gas Plant. Existing production wells on these and other tenements are in the process of being brought on line. The tender area is immediately adjacent to Armour’s existing production licences and associated infrastructure, meaning that resources identified on the tender area can be readily connected to Armour’s Kincora Gas Plant and thus to Queensland’s supply constrained domestic market. The Authority to Prospect over the tender area is to be awarded with the condition that gas produced will be for the supply to the Australian domestic and local industrial (non-export) market only.

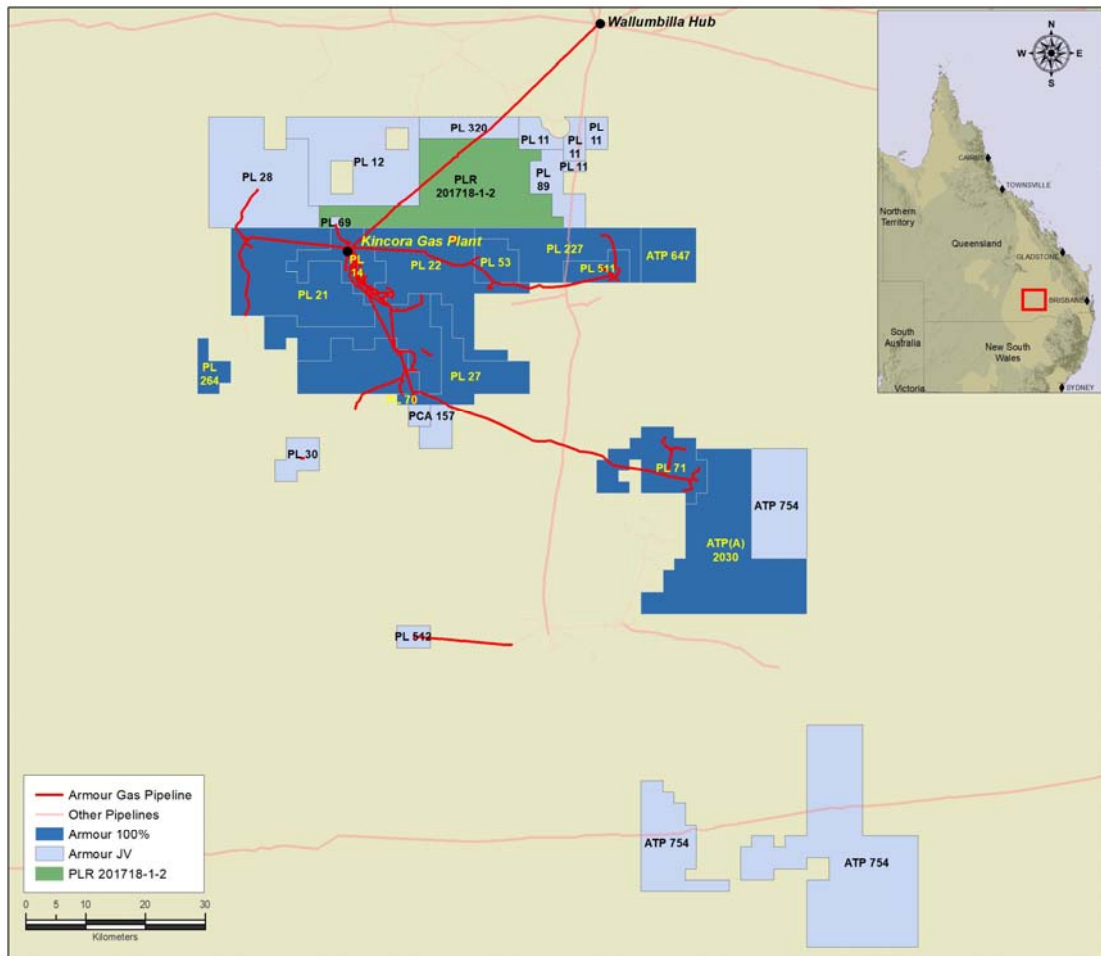


Figure 2: Map showing Armour’s Surat Basin Petroleum Production Licences and Authorities to Prospect including tender area PLR201718-1-2

Northern Territory Update

In a media release on the 17 April 2018, the Chief Minister of the Northern Territory announced that all 135 recommendations made in the final report of the independent Scientific Inquiry into Hydraulic Fracturing of Onshore Unconventional Reservoirs in the Northern Territory will be adopted, and that work on a detailed implementation plan for the recommendations would begin immediately and be completed and released to the public in July this year.

Armour’s 100% owned Northern Territory acreage best estimate prospective gas resource within shale formations is 34.8 TCF (refer ASX release of 17 November 2015 for full details). Armour notes that the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) related to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Armour’s McArthur Basin project area represents the largest and most important part of the Northern, Central and Southern McArthur Basin where the thickest and most oil and gas prone sections of the McArthur and Tawallah groups are present. **Figure 3** over, shows a map of Armour’s tenements and the NT Government’s provisionally declared protection areas.

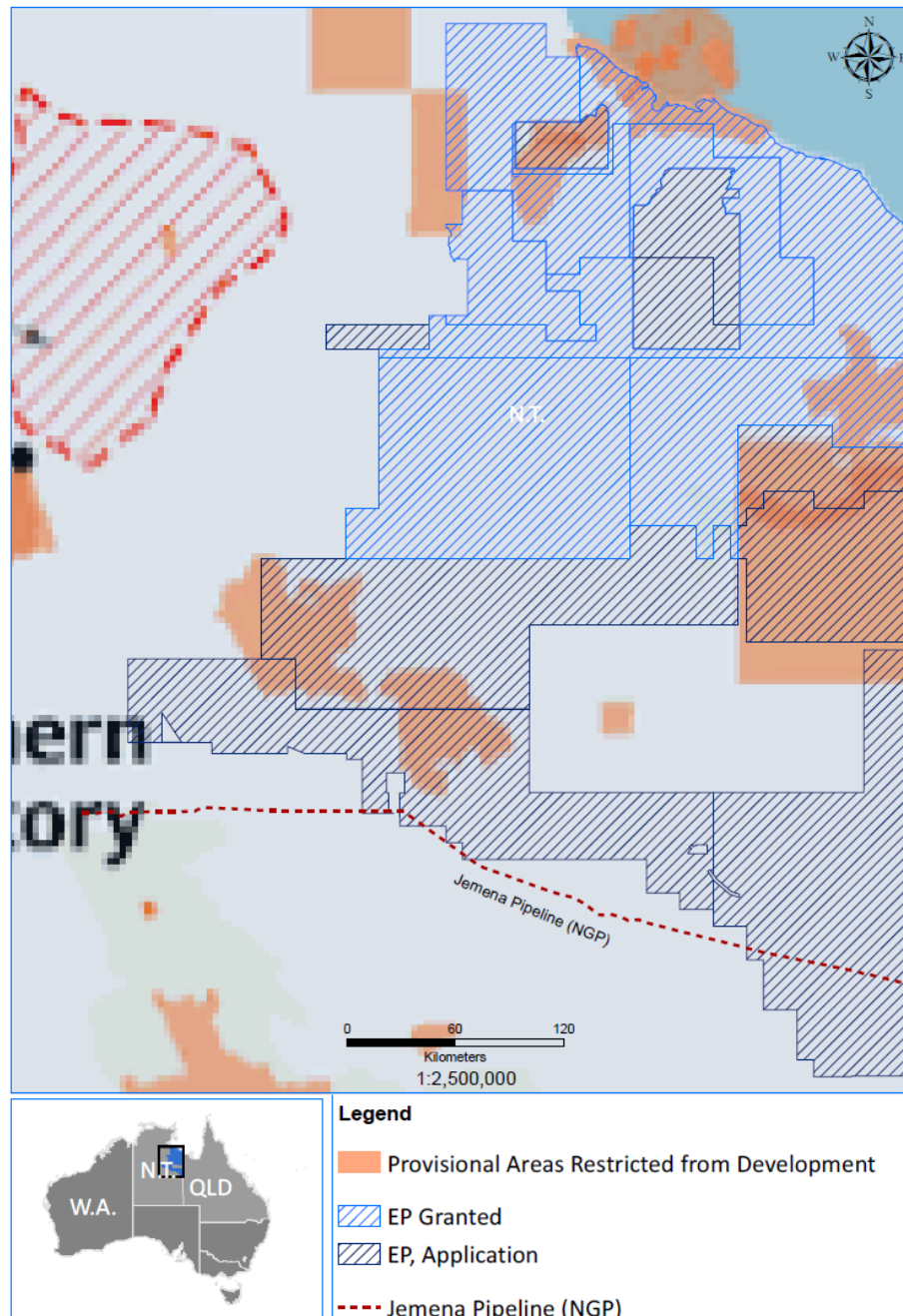


Figure 3: Map showing Armour’s Northern Territory tenements and provisional areas restricted from development

CORPORATE ACTIVITIES

Positive Cashflow from Operating Activities

For the March 2018 quarter, Armour reported a positive cashflow from operating activities of \$261,000, (refer the March 2018 Quarterly Cashflow Report). This is a significant result and was achieved within the first quarter of re-starting the Kincora Gas Plant whilst production rates were still being ramped up.

Armour expects to increase the positive operating cashflow position as it progressively brings on new production wells over the next 12 months.

Convertible Notes

During the quarter, Armour received further subscriptions for \$5,105,000 worth of Convertible Notes. The majority of the subscription was received from funds managed by MH Carnegie & Co, who have now subscribed for \$13.25 million worth of Convertible Notes.

The aggregate value of Convertible Notes subscribed for is now \$38.6 million.

Gas Acceleration Program

On 28 March 2018, the Federal Minister of Resources and Northern Australia, Senator the Hon Matt Canavan announced that Armour had been successful in its application for \$6m in funding under the Federal Government's Gas Acceleration Program (GAP).

This Federal Government Program is designed to provide businesses with funding grants to accelerate the responsible development of onshore natural gas for domestic gas consumers, and has a stated objective to support projects with the greatest likelihood of securing new and significant volumes of gas by 30 June 2020.

In its application for the GAP funding grant, Armour demonstrated that it has the essential building blocks to bring significant volumes of gas to the domestic market. These building blocks include the Company's proven resources on the Roma Shelf, existing surface infrastructure and gas processing facilities, connection to the east coast domestic market through the Roma Brisbane Pipeline, and commercial agreements in place for the supply and sales of gas.

The Kincora Gas Plant and field infrastructure has sufficient existing capacity to process the raw gas from the accelerated well program, producing sales quality gas, plus condensate and LPG.

Over the coming weeks, Armour expects to finalise the grant funding documentation with the Government.

Investor Relations

In March 2018, Armour presented at the inaugural Australian Energy and Battery Minerals Investor Conference held in Brisbane. The conference brought together some of Australia's most promising ASX listed energy and battery minerals companies to showcase their investment credentials to a large audience of investors and industry attendees.

A copy of the presentation can be found at <https://www.armouenergy.com.au/presentations/>

Staff Update

With moving into phase 2 and increased focus on production and reserves growth, the Board have performed a review the business structure to ensure Armour is positioned to maximise this opportunity. From this review Armour has identified several key roles and has commenced the recruitment process for a COO and looking to increase the company's capabilities in-house around engineering, EHS and land management.

Armour also looks to advise that the CFO, Peter Harding-Smith, has resigned to take up another opportunity. The Board thanks Peter for his contribution and wish him well with his next role. Priy Jayasuriya, DGR's CFO will provide interim support during the recruitment process for a new CFO.



On behalf of the Board
Karl Schlobohm
Company Secretary

COMPETENT PERSONS STATEMENT

Consents

Reported resources are in accordance with the SPE Reserves Auditing Standards and the SPE-PRMS guidelines and under the supervision of Mr Luke Titus, Chief Geologist, Armour Energy Limited. Mr Titus qualifications include a Bachelor of Science from Fort Lewis College, Durango, Colorado, USA and he is an active member of AAPG and SPE. He has over 20 years of relevant experience in both conventional and unconventional oil and gas exploration & production in the US and multiple international basins. Mr Titus meets the requirements of qualified petroleum reserve and resource evaluator as defined in Chapter 19 of the ASX Listing Rules and consents to the inclusion of this information in this release.

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.

Under PRMS

"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 categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.

The estimated quantities of petroleum that may potentially be recovered by the application of future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Previous reported information on the Contingent Resources in this release related to Armour Energy's Surat Basin PLs and ATPs is based on an independent review conducted by RISC Operations Pty Ltd (RISC) 2015 Independent Technical Specialist Report Roma Shelf dated 30 September 2015 and SRK Consulting (Australasia) Pty Ltd Myall Creek Contingent Resources Report PLs 227 and 511 (19 July 2016) and SRK Consulting (Australasia) Pty Ltd PL 71 Contingent Resources Report- Parknook, Namarah and Warroon area (19 July 2016) and Armour Energy Target Statement dated 7 October 2015 related to Armour Energy's Surat Basin PLs and ATPs is based on the Annexure A - Independent Expert Report review conducted by BDO Corporate Finance (QLD) Ltd and fairly represents the information and supporting documentation reviewed. All the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

Forward Looking Statement

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

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

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

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

APPENDIX 1

INTERESTS IN TENEMENTS FOR THIS QUARTER

TYPE	LOCATION	NAME	OWNER	INTEREST
ATP 2030	Queensland		AE(SB) P/L	100%
Held Throughout Quarter				
PL14	Queensland		AE (SB) P/L	100%
PL 53	Queensland		AE (SB) P/L	100%
PL 70	Queensland		AE (SB) P/L	100%
PL 511	Queensland		AE (SB) P/L	100%
PL 227	Queensland		AE (SB) P/L	100%
PPL 3	Queensland		AE (SB) P/L	100%
PPL 20	Queensland		AE (SB) P/L	100%
PPL 63	Queensland		AE (SB) P/L	100%
PL 28	Queensland		AE (SB) P/L	46.25%
PL 69	Queensland		AE (SB) P/L	46.25%
PL 89	Queensland		AE (SB) P/L	46.25%
PL 320	Queensland		AE (SB) P/L	46.25%
PL 11W	Queensland		AE (SB) P/L	46.25%
PL 12W	Queensland		AE (SB) P/L	46.25%
PL 11(SCEE)	Queensland		AE (SB) P/L	25%
PL 21	Queensland		AE (SB) P/L	100%
PL 22	Queensland		AE (SB) P/L	100%
PL 27	Queensland		AE (SB) P/L	100%
PL 71(P)	Queensland		AE (SB) P/L	100%
PL 71(E)	Queensland		AE (SB) P/L	80%
PL 264	Queensland		AE (SB) P/L	100%
PL 30	Queensland		AE (SB) P/L	90%
PL 512	Queensland		AE (SB) P/L	84%
PPL 22	Queensland		AE (SB) P/L	69%
ATP 647	Queensland		AE (SB) P/L	100%
ATP 754	Queensland		AE (SB) P/L	50%
PCA 157 (A)	Queensland	Weribone	AE (SB) P/L	50.64%
PCA 157 (A)	Queensland	Bainbilla	AE (SB) P/L	24.748%
EPP 171	Northern Territory	Abner Range	Armour Energy Ltd	100%
EPP 174	Northern Territory	Robinson River 2	Armour Energy Ltd	100%
EPP 176	Northern Territory	Ryans Bend	Armour Energy Ltd	100%
ATP 1087	Queensland	South Nicholson	Armour Energy Ltd	100%
EPP 190	Northern Territory	Calvert	Armour Energy Ltd	100%
EPP 191	Northern Territory	Wallhollow	Armour Energy Ltd	100%

TYPE	LOCATION	NAME	OWNER	INTEREST
Held Throughout Quarter				
EPP 192	Northern Territory	Wollogorang	Armour Energy Ltd	100%
PEP 169	Victoria	Moreys	Lakes Oil NL	51%
PEP 166	Victoria	Holdgate	Lakes Oil NL	25%
PRL2	Victoria		Lakes Oil NL	15%
EL 30817	Northern Territory	Birrindudu	Ripple Resources P/L	100%
EL 30818	Northern Territory	VRD	Ripple Resources P/L	100%
EL 30494	Northern Territory	Statler & Waldorf	Ripple Resources P/L	100%
EPM 19833	Queensland	Bowthorn	Ripple Resources P/L	100%
EPM 19835	Queensland	Shadforth East	Ripple Resources P/L	100%
EPM 19836	Queensland	Shadforth	Ripple Resources P/L	100%
EPM 25504	Queensland	Argyle Creek	Ripple Resources P/L	100%
EPM 25505	Queensland	Border	Ripple Resources P/L	100%
EPM 26018	Queensland	Kola South	Ripple Resources P/L	100%
EPM 26020	Queensland	Inca Creek	Ripple Resources P/L	100%
EPM 26022	Queensland	Yelvertoft	Ripple Resources P/L	100%
EPM 25802	Queensland	Walford East	Ripple Resources P/L	100%
EL 30810	Northern Territory	Sweetums	Ripple Resources P/L	100%
EL 31012	Northern Territory	Carpentaria	Ripple Resources P/L	100%

AE (SB) P/L = Armour Energy (Surat Basin) Pty Ltd

EPM	Exploration Permit - Minerals
EL	Exploration Licence
EPP	Exploration Permit - Petroleum
ATP	Authority to Prospect
PEP	Petroleum Exploration Permit
PL	Petroleum Lease
PPL	Petroleum Pipeline Licence
PRL	Petroleum Retention Lease