



Armour Energy Limited

27 November 2018

Chairman's Address to AGM

On behalf of the Board of Directors, it gives me great pleasure, in the absence of our Executive Chairman, to present this year's Chairman's Address.

General Operational Matters

The past year has been a period of considerable progress and achievement and seen Armour Energy establish itself as a reliable producer of oil and gas via its Kincora Project near Roma in the Surat Basin, Queensland. This has been a pivotal step in the Company's long-held ambition to evolve from a pure greenfields junior explorer to an established exploration and production company with gas, LPG, oil and condensate revenues from our Kincora Project.

As predicted some years ago, Australia's east coast domestic gas market supply and demand dynamic is currently very favourable to Armour's emergence as a gas supplier. One focus for Armour in the coming year will be to increase its field and plant production capacity to enable further sales into the domestic market. The Company is aiming to do this by drilling new production wells, bringing back on line further existing wells, and de-bottlenecking and upgrading the Kincora gas processing plant.

More specifically, Armour's priority tasks at Kincora over the coming year include:

- successful execution of our well program for 2019. The program is currently being planned taking into account well results and learnings from our recently drilled wells at Myall Creek 4A and 5A;
- reworking and extracting further value from existing wells and infrastructure assets already in place;
- increasing production to safely and reliably deliver up to 20 TJ/day of gas to the Australian east coast gas market;
- continuing the development and implementation of maintenance programs across the Kincora facilities to ensure safe and reliable production; and
- continued exploration of the numerous prospects and leads identified by the Company's geological team.

The Surat Basin has been recognised internationally as a part of a prolific oil and gas province which has been producing both oil and natural gas since the 1970's. We are confident that ongoing innovation in seismic survey acquisition and reprocessing, together with improved drilling and completion techniques will help Armour to continue developing this oil and gas region and allow for the continued expansion of the Company's resources and reserves.

Medium to longer-term plans for Kincora include the commencement of preliminary exploration activities on the Company's new tenements adjacent to the existing project footprint. In this regard, we are pleased to recognise recent State and Federal Government initiatives aimed at improving or fast-tracking the supply of gas to the domestic market.

For Armour, this has resulted in the Company being awarded several new tenements as a result of the Queensland Government's new land release tender process, and also being a successful applicant for a cost co-contribution grant under the Federal Government's Gas Acceleration Program which will deliver up to \$6 million of funding towards the Company's development activities.

Further, with the removal of the moratorium on hydraulic fracture stimulation by the Northern Territory Government, the Company is now also progressing its plans for its northern Australian acreage, which already contains significant estimated prospective resources and drill-ready targets. 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. The recent announcement by Jemena of the completion of construction of the Northern Gas Pipeline, and its expected commissioning in late 2018, is a significant enabler for Armour's upstream gas projects in the Northern Territory. The pipeline is expected to provide additional and large-scale market access for the gas resources identified by Armour Energy and other explorers in the Northern Territory by connecting this new petroleum province to the growing east coast gas markets.

Operating in an Environmentally Responsible Manner

This year, Armour Energy has continued the recommissioning and further development of its assets in the Surat Basin in line with the conditions of the Environmental Authorities issued to it by the Queensland Department of Environment and Science.

To date there have been no reportable environmental incidents associated with its exploration assets in North Queensland, Northern Territory or the ongoing recommissioning and development of the Kincora Project. Armour continues to meet or exceed the environmental conditions that have been applied to the projects by the Queensland and Northern Territory Governments.

Local Relationships & Employment

Armour Energy is working hard to ensure that we are engaging with our local community and also increasing the opportunity for local businesses to be associated with our projects. This year Armour has become an active member of the Surat and Roma communities and we are working hard to ensure that we support local businesses, and maintain positive relationships with landholders and other stakeholders in the region.

Today we also acknowledge the community groups, some represented here today, that do not support the development of natural gas - in all its forms. We respectfully welcome them and acknowledge their contribution to the debate on our industry. However, while the debate is sometimes focused on energy generation and the desire for the transition to renewable energy, we also need to acknowledge that hydrocarbons are also used in the wider, modern society. We agree that the energy landscape in Australia is changing and that a sustainable transition will continue towards a lower carbon economy. Our view is that natural gas is an important part of the energy generation transition, and gas will continue to be an important and needed commodity and part of the long term picture for many reasons other than energy.

Our view is that hydrocarbons, in all their forms, are needed in our community for many purposes other than energy generation. Oil and natural gas are used in many manufacturing processes as a process chemical, used as bitumen for roads, oil for lubricants, in chemical manufacturing such as fertilizers for farming and in other important chemicals that are used to maintain health and wellbeing in our everyday lives. For example, hydrocarbons are used significantly in the medical industry in hospital products such as plastics, sterilizing agents, anti-bacterial solutions and some compounded medicines. Modern society has a demand for the products that Armour produces other than just electricity generation and will continue to do so for many years to come. The source of these hydrocarbons is derived from exploration and drilling operations such as those conducted by Armour Energy.

Armour has spent time with representatives of some of these groups that have an alternative view on the need for oil and gas exploration and production, and the Company will remain open to discussing our operations with the community.

Retirement of Bill Stubbs

I am saddened to have to advise of the retirement from the Board of Bill Stubbs at the conclusion of this meeting.

Bill was appointed to the Armour Board as a Non-Executive Director on the formation of the Company as a representative of DGR Global Limited in 2009. In 2012 he was also appointed to the Board of Lakes Oil NL as a representative of Armour Energy. Bill also retired from the Board of Lakes Oil at the conclusion of their AGM earlier this month.

On behalf of the Board I would like to thank Bill for his substantial contribution and service to the Company since its inception. Bill's experience and guidance has been invaluable to the Board and the management team, and his steady hand and wise counsel will not be easy to replace.

The Company will consider the composition of the Board of Directors and advise of any new appointments in due course.

Other Corporate Matters

During the year the Company successfully raised funds from its existing shareholders via a rights issue, and I would like to thank you all for your ongoing support of the Company.

On behalf of the Board I'd like to thank you for your attendance today, and we look forward to bringing you further news of our developments in 2019.

Stephen Bizzell

Non-Executive Director

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