



QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDED 31 MARCH 2019

HIGHLIGHTS

- Kincora Project – Quarterly revenue \$7.67 Million
- Average gas production increased to 9.9 TJ/day
- Kincora 2P Reserves increased by 56% to 123.6 PJ
- Settlement of \$55M Corporate Bond
- Repayment of all previous Convertible Notes

ASX CODE: AJQ

**CAPITAL STRUCTURE – 31 Mar
2019**

SHARES ON ISSUE

508,177,396

MARKET CAPITALISATION¹

\$47.3m (at 9.3 cents per share)

(1. undiluted for options)

DIRECTORS

Nicholas Mather (Chairman)
Stephen Bizzell
Roland Sleeman
Eytan Uliel

CHIEF EXECUTIVE

Roger Cressey

COMPANY SECRETARY

Karl Schlobohm

CONTACT DETAILS

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Overview

Armour has had a successful commencement to 2019 with production increasing to an average of 9.9 TJ/day over the quarter, resulting in increased revenues. The Company has also taken the opportunity over the last several months to undertake essential maintenance at the Kincora Plant to increase reliability and decrease possible interruptions to production. On a Corporate level, the Company took the opportunity to refinance its existing Convertible Notes, with the issuance of a Corporate Bond to the value of \$55 million, which was used to repay Convertible Noteholders and provide working capital.

Kincora Project – Revenue Update

The March 2019 Quarter has seen consistent sales of Gas, LPG and Condensate from the Kincora Facility.

Gas sales (and production) for the quarter averaged 9.9 TJ/day from Newstead Storage and existing wells which is liquid rich gas, therefore providing LPG and condensate by-products which contributed strongly to sales revenue. This represents an increase of 1.1 TJ/day (or 12.5%) of sales gas from the previous quarter of 8.8 TJ/day.

	March Quarter, Q3 FY19
Revenue* (\$ million)	\$7.67
Average Gas production per Day per Quarter (TJ/day)	9.9
Average LPG production per Day for the Quarter (Tonnes/day)	12
Average Oil/Condensate production per Day for the Quarter (bbl/day)	167

* Revenues are actuals per quarter (net of GST) based on production.

Kincora Project – Reserves Upgrade

During the quarter the Company announced a Reserves update on its Kincora Gas Project on the Roma Shelf. During 2018 Armour continued work on the geological and engineering studies across the Kincora Project as well as the drilling of additional wells in Myall Creek and resarting production in the Parknook area. The results of these studies, the Myall Creek 4a and 5a wells and the restarting of additional existing wells, has contributed to an independently assessed and verified 2P reserves increase of 56% since Armour's last reported reserves on 30 October 2018.

These reserves have been reviewed and evaluated in accordance with the Society of Petroleum Engineers – Petroleum Resource Management System (SPE-PMRS) guidelines, resulting in increased Reserves on the Myall Creek field as follows:

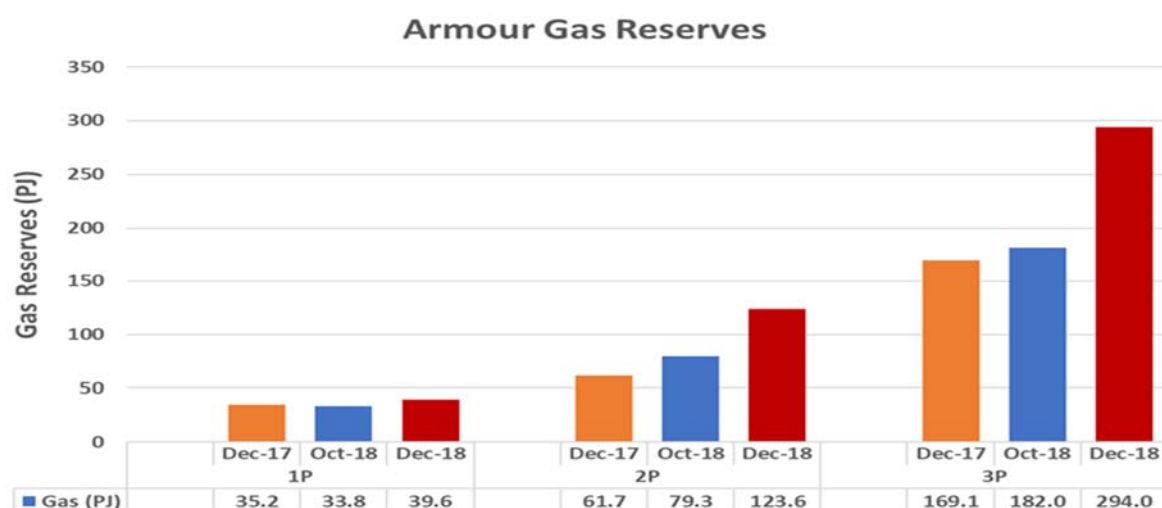
Total Reserves – Kincora Project ⁽¹⁾	1P	2P (1P+2P)	3P (1P+2P+3P)
Estimated Net Total Gas (BCF)	34.8	108.7	258.5
Estimated Net Total Gas (PJ)	39.6	123.6	294.0
LPG Yield (Tonne)	81,770	255,303	607,019
Condensate Yield (BBL)	393,524	1,228,670	2,921,336

Notes:

- 100% Armour Reserves
- Petroleum reserves are classified according to SPE-PRMS.
- Petroleum reserves are stated on a risked net basis with historical production removed.
- Petroleum reserves are stated inclusive of previous reported estimates.
- Petroleum Reserves have no deduction applied for gas used to run the process plant estimated at 7%.
- BCF = billion cubic feet, LPG = liquefied petroleum gas, PJ = petajoules, kbbl = thousand barrels, kTonne = thousand tonnes; Conversion 1.055 PJ/BCF.
- 1P = Total Proved; 2P = Total Proved + Probable; 3P = Total Proved + Probable + Possible.
- LPG Yield 2065 tonnes/petajoules, Condensate Yield 9938 barrels/petajoules.

The latest reserves upgrade increases the full year (Dec 17 to Dec 18) 2P gas reserves by 100%, confirming the ongoing and increased viability of the Kincora Project. This latest upgrade confirms Armour's position as having significant uncontracted gas that will support the Company's production growth during 2019 and well into the future. The Company also notes that revenues from liquid sales provides an uplift of approximately 25% on top of gas sales. The latest upgrade also notes an increase in 2P condensate reserves of 100% over the year Dec 17 to Dec 18.

Figure 1: Increase in Armour Gas Reserves December 2017 – December 2018



Kincora Project – Phase 3 Continues

Armour has continued with its Phase 3 activities during the Quarter.

Armour's Growth Strategy: A Developing Portfolio for Domestic Supply

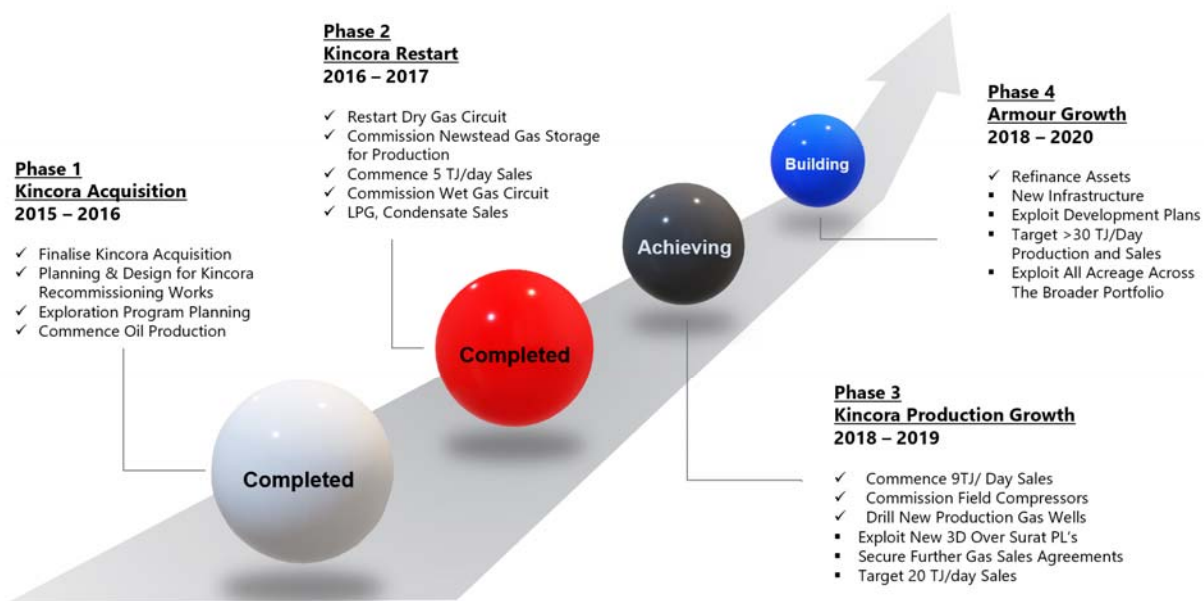


Figure 2: Armour's 4 Phases of Growth plan.

During the previous quarter and this quarter, Armour has carried out plant shutdowns for maintenance and refurbishment activities on the Kincora Gas Plant in order to provide improved plant performance and reliability as the Company continues to work toward its target of 20TJ/day. Ongoing activities being undertaken to increase production include optimisation of existing wells operations, connection of the recently drilled Myall Creek 5A well, and planning for the drilling of new wells during 2019.

It is worth noting that operations costs for this quarter were higher than normal due to the maintenance and refurbishment activities carried out late last quarter and during the current quarter on the Kincora Gas Plant and field compressor stations to provide improved plant performance and reliability.

Myall Creek Well 5A

Armour completed drilling the Myall Creek 5A well in November last year. This well is the second of the part funded grant under the Federal Government's Gas Acceleration Program (GAP). Well completion and connection activities are now in progress and production is planned to commence in May 2019. The well will be connected to Armour's Myall Creek field compressor and the gas will be processed at the Kincora Gas Plant (100% Armour) and delivered to market via Armour's sales gas pipeline to Wallumbilla.

Exploration Activities

Armour continues to seek to increase shareholder value from the Northern Australian exploration acreage spanning Queensland and the Northern Territory. Armour has been actively marketing the Northern Australian acreage to potential Australian and international farm-in partners over the quarter.

The Northern Territory continues to gain interest from domestic and international companies, as greater certainty builds in the regulatory requirements for development following the lifting of the recent moratorium following the releases of the Final Report into *The Independent Scientific Inquiry into Hydraulic Fracturing of Onshore Unconventional Reservoirs in the Northern Territory*. Armour is working with the Northern Territory government to understand the implications of the recommendations from the inquiry, and how they will be implemented through proposed new legislation and guidelines, and how the Company's future work programs and expenditure in the Northern Territory may be modified.

Last quarter Armour announced that it had been formally awarded ATPs 2030, 2034, 2035 and 2041 (refer map per Figure 3 showing Armour's Kincora project acreage) which form part of the greater Roma Shelf Project.

Armour now commands a significant acreage position on its Roma Shelf Project, incorporating an immense volume of over-pressured, continuous hydrocarbon-saturated tight Triassic and Permian reservoir section that the Company plans to develop. This commercial play type is deep, detectable and in recent years Armour has been the only company to have issued expressions-of-interest to the Queensland Department of Natural Resources based upon the technical capabilities and correct operational approach to develop the resources in conjunction with the Kincora Gas Plant.

These exploration tenures add to the Company's commitment to the further development of oil, gas and liquids from the Roma Shelf, supported by ongoing strong demand for gas in the East Coast Energy Market. Armour's existing production licences associated with the Kincora Project plus the significant exploration acreage position the Company has recently acquired adds to an immense volume of over-pressured, continuous hydrocarbon-saturated tight Triassic and Permian reservoir section over which Armour is preparing a Field Development Plan aiming to also prove the potential of a multi-TCF Play.

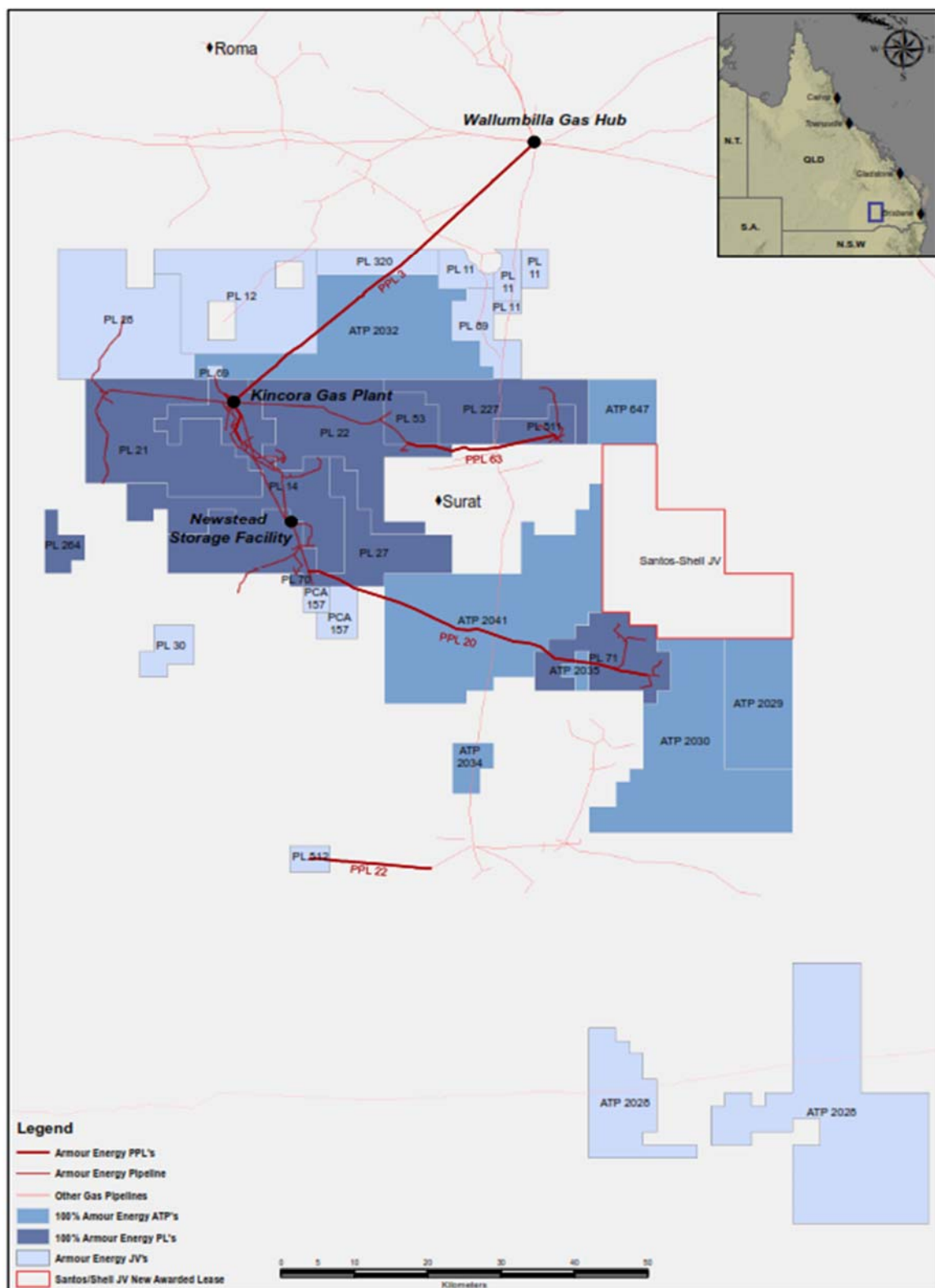


Figure 3: Map showing Armour's Roma Shelf, Surat Basin Kincora Project acreage

Corporate Activities

For the March 2019 quarter, Armour reported receipts from customers on a cash basis of \$7.5 million, compared to \$7.32 in the last quarter. Armour, through the drilling of new wells and workovers of existing wells, has been able to achieve production rates up to 12 TJ/day (Jan 19) and is looking to increase the production base over the coming quarters and in line with its Phase 3 strategic growth targets.

Corporate Bond Financing and Redemption of Existing Convertible Notes

During the Quarter the Company raised \$55m via the issue of secured and amortising notes (the New Notes). Proceeds from the issue of the New Notes were applied to the redemption of all of the existing Convertible Notes on issue (including those held by funds managed by M.H. Carnegie & Co Pty Ltd) with the balance retained for working capital and field program expenditure.

The Lead Arranger for the refinancing transaction was FIIG Securities Limited. The offer was underpinned by Company founder DGR Global Ltd which agreed to apply \$10m of the amount owing to it under the previous Convertible Notes as an investment in the New Notes.

For full terms and conditions of the New Notes please refer to the final information memorandum that is attached to the announcement 'Corporate Bond Financing Update' on 29 March 2019. The information memorandum is not a prospectus or other disclosure document for the purposes of the Corporations Act 2001 (Cwlth) and the New Notes were only offered to eligible professional and sophisticated investors.

The Board of Directors of Armour would like to take this opportunity to thank the previous Convertible Noteholders for their support of the Company through their original subscription to the Notes as part of the Company's 2016 and 2017 capital raising program.

Armour's CEO, Mr Roger Cressey commented:

"This \$55 million re-financing of the Company is transformational for Armour and enables the Company to deliver a material work program toward its growth objectives. Armour's 2019 development program is now being finalised with a focus on the 20TJ/day production target. Armour is growing its footprint, its production and its revenues and is well positioned to take advantage of the strong commercial environment for gas producers on the east coast. This year the Company has already achieved some significant outcomes; it has completed this re-finance, increased production and sales from 9TJ/day to 12TJ/day, commenced selling into the spot market, and has advised the market of increased 2P reserves to 123.6PJ. The Company is now poised to move to the next level of growth in its four phase strategy."

FIIG Securities Head of Fixed Income, John Ricciotti, said bond investors were attracted to Armour Energy's business model and strong management team:

"As a producing Oil & Gas company with strong resource prospects, Armour has seen the value in tapping investor demand for unrated corporate paper. The long term nature of Armour's assets and contracted revenue streams make it an ideal candidate for long term bond funding. We are seeing strong industry growth in gas supported by increased demand for cleaner energy solutions and are delighted to be supporting the highly credentialed Board and Management of Armour in this transaction."

FIIG Securities Limited is Australia's largest specialist fixed income dealer having raised over \$2.3 billion in funding across 64 bond issues.

Gas Acceleration Program

As detailed in the Company's 2018 annual report, Armour Energy (Surat Basin) Pty Ltd (Armour Surat) executed an agreement with the Federal Government under the Gas Acceleration Program (GAP) for a total of up to \$6 million in grant funding. GAP provides grants to businesses to accelerate direct investment in onshore natural gas projects and provides funding on a cost contribution basis of up to 50% of a participant's eligible drilling costs. Armour Surat was awarded GAP funding for its Kincora Development Program which is currently underway.

During the quarter, Armour received a further two grant payments totalling \$2.6 million (including GST) for costs incurred on the Company's first development well, Myall Creek 4A and a partial payment against the drilling activities for the second development well, Myall Creek 5A.

Investor Relations

During the quarter, Armour presented in front of the Queensland Petroleum Exploration Association (QUPEX), the 'Australian Domestic Gas Outlook Conference' in Sydney, the 'Australian Energy and Minerals Conference' in Brisbane, and the 'Hong Kong Mines and Money Conference'. A number of presentations were also made to brokers and analysts in Brisbane, Melbourne and Sydney.

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



On behalf of the Board
Karl Schlobohm
Company Secretary

COMPETENT PERSONS STATEMENT

Consents

The Reserves information in relation to the Kincora Project Reserves in this ASX release is based on, and fairly represents, data and supporting documentation prepared by, or under the supervision, of Dr Bruce McConachie. Dr McConachie is an Associate Principal Consultant of SRK Consulting (Australasia) Pty Ltd and has a PhD (Geology) from QUT and is a member of AusIMM, AAPG, PESA and SPE. The Reserves information in this ASX announcement was issued with the prior written consent of Dr McConachie in the form and context in which it appears. The Reserves review was carried out in accordance with the SPE Reserves Auditing Standards and the SPE-PRMS guidelines 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 hydrocarbon 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 A

INTERESTS IN TENEMENTS FOR THIS QUARTER

TYPE	LOCATION	OWNER	INTEREST
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%
Newstead Gas storage	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 11 Waldegrave	Queensland	AE (SB) P/L	46.25%
PL 12 West	Queensland	AE (SB) P/L	46.25%
PL 11 Snake Creek East Exclusion Zone	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	Queensland	AE (SB) P/L	100%
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	84%
ATP 647	Queensland	AE (SB) P/L	100%
ATP 1190 (PCA157, Weribone Block)	Queensland	AE (SB) P/L	50.64%
ATP 1190 (PCA157, Bainbilla Block)	Queensland	AE (SB) P/L	24.75%
ATP 2028	Queensland	AE (SB) P/L	50%
ATP 2029	Queensland	AE (SB) P/L	100%
ATP 2030	Queensland	AE (SB) P/L	100%
ATP 2032	Queensland	AE (SB) P/L	100%
ATP 2034	Queensland	AE (SB) P/L	100%
ATP 2035	Queensland	AE (SB) P/L	100%
ATP 2041	Queensland	AE (SB) P/L	100%
ATP 1087	Queensland	Armour Energy Ltd	100%
EP 171	Northern Territory	Armour Energy Ltd	100%
EP 174	Northern Territory	Armour Energy Ltd	100%
EP 176	Northern Territory	Armour Energy Ltd	100%
EP 190	Northern Territory	Armour Energy Ltd	100%

TYPE	LOCATION	OWNER	INTEREST
EP 191	Northern Territory	Armour Energy Ltd	100%
EP 192	Northern Territory	Armour Energy Ltd	100%
PEP 169	Victoria	Armour Energy Ltd (Joint Venture with Lakes Oil NL)	51%
PEP 166	Victoria	Armour Energy Ltd (Joint Venture with Lakes Oil NL)	25%
PRL2	Victoria	Armour Energy Ltd (Joint Venture with Lakes Oil NL)	15%
EL 30817	Northern Territory	Ripple Resources P/L	100%
EL 30818	Northern Territory	Ripple Resources P/L	100%
EL 30494	Northern Territory	Ripple Resources P/L	100%
EL 31012	Northern Territory	Ripple Resources P/L	100%
EPM 19833	Queensland	Ripple Resources P/L	100%
EPM 19835	Queensland	Ripple Resources P/L	100%
EPM 19836	Queensland	Ripple Resources P/L	100%
EPM 25504	Queensland	Ripple Resources P/L	100%
EPM 25505	Queensland	Ripple Resources P/L	100%
EPM 26018	Queensland	Ripple Resources P/L	100%
EPM 26020	Queensland	Ripple Resources P/L	100%
EPM 26022	Queensland	Ripple Resources P/L	100%
EPM 25802	Queensland	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
PCA Potential Commercial Area
PEP Petroleum Exploration Permit
PL Petroleum Lease
PPL Petroleum Pipeline Licence
PRL Petroleum Retention Lease