Armour Energy Limited

A Growing Onshore Exploration & Production Company

Capital Raising - September 2019

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This presentation contains "forward looking statements" concerning the financial condition, results of operations and business of Armour Energy Limited (Armour). All statements other than statements of fact or aspirational statements, are or may be deemed to be "forward looking statements". Often, but not always, forward looking statements can generally be identified by the use of forward looking words such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "continue", "outlook", and "guidance", or other similar words and may include, without limitation, statements regarding plans, strategies and objectives of management, future or anticipated production or construction commencement dates and expected costs, resources or reserves, exploration results or production outputs. Forward looking statements are statements of future expectations that are based on management's current expectations and assumptions and known and unknown risks and uncertainties that could cause the actual results, performance or events to differ materially from those expressed or implied in these statements. These risks include, but are not limited to price fluctuations, actual demand, currency fluctuations, drilling and production results, commercialisation reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.

Statements in this presentation as to gas and mineral resources has been compiled from data provided by Armour's Chief Geologist, Mr Luke Titus. 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. Mr Titus has over 20 years of relevant experience in both conventional and unconventional petroleum exploration in various international hydrocarbon basins. Mr Titus has sufficient experience that is relevant to Armour's reserves and resources to qualify as a Reserves and Resources Evaluator as defined in the ASX Listing Rules 5.11. Mr Titus consented to the inclusion in this report of the matters based on his information in the form and context in which it appears.

About Armour Energy

Australian Producer of Gas, LPG, Condensate and Oil

Long Life Production Assets

Operating Facility in Strong Commercial Environment

Current and Future Drilling Programs

Commanding Acreage Position and Portfolio

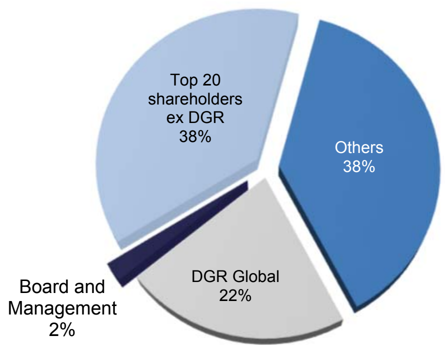
Vast Under-explored Opportunities

Armour Energy's Capital Structure - Snapshot

Capital Structure

ASX Code:	AJQ
Shares (Ordinary)(i)	509M
Options (unlisted)(i)	61M
Corporate Bond	$55M
Share Price(ii)	7.2 cents
Market Capitalisation	~$37M
Cash on hand (1 September 2019)	~$8.1M
Number of Shareholders	~1,600

Share Register



Board and Management – Proven Oil and Gas Professionals

- Nicholas Mather — Executive Chairman
- Stephen Bizzell — Non-Executive Director
- Roland Sleeman — Non-Executive Director
- Eytan Uliel — Non-Executive Director
- Roger Cressey — Chief Executive Officer
- Richard Aden — Chief Financial Officer
- Michael Laurent — GM Development
- Luke Titus — Chief Geologist
- Karl Schlobohm — Company Secretary

(i) Source: https://www.armourenergy.com.au/capital-structure/ (ii) Armour Energy share price as at 13/09/2019

Armour's Preliminary Financial Results 30 June 2019

2019 Financial Review Highlights:

- Increase in revenue of $13 million
- Increase in gross profit of $4.8 million
- Underlying EBITDA of $3.7 million
- Refinance of Convertible notes with a $55 million Corporate Bond facility
- Establishment of a $6.8 million environmental loan facility

1. Un-audited results subject to final board and audit approval

Armour Energy Limited
Preliminary Financial Results
30 June 2019 [1]

	Consolidated 30 June 2019 $	30 June 2018 $
Revenue from Contracts with Customers	27,819,335	14,748,819
Cost of Sales	(19,018,113)	(10,773,299)
Gross Profit/(loss)	8,801,222	3,975,520
Other income and expenses	(6,333,678)	(7,324,396)
Finance income	192,524	162,135
Finance expenses	(13,656,309)	(8,927,249)
Income tax (expense) / benefit	(687,507)	556,202
Profit/(loss) after income tax expense	(11,683,748)	(11,557,788)

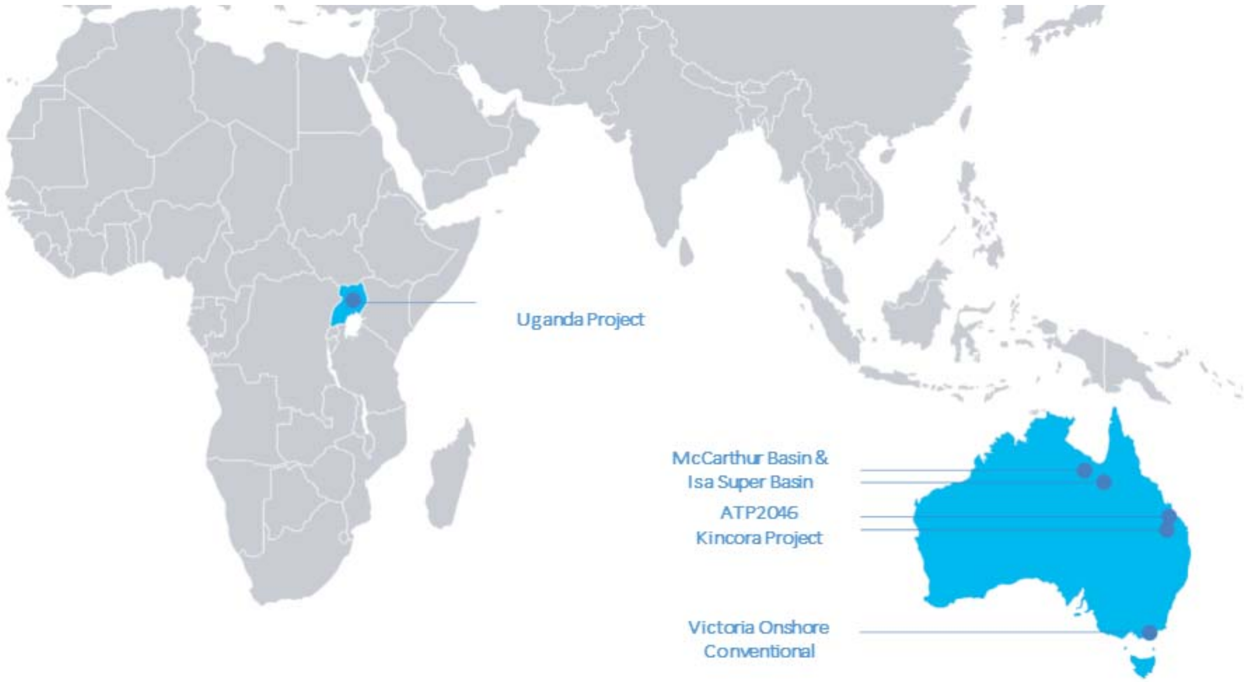
Revenue from Contracts with Customers and Gross Profit significantly increased due to a full year of production. Finance costs increased due to the early redemption of the Company's Convertible Notes and refinance of a Corporate Bond facility.

Underlying EBITDA (non-IFRS measure)

Underlying EBITDA reflects statutory EBITDA as adjusted to reflect the Director's assessment of the result for the ongoing business activities of the Group. These numbers have not been audited.

	Consolidated 30 June 2019 $	30 June 2018 $
Profit/(loss) before income tax and net finance expenses	2,660,068	(3,186,741)
Depreciation and amortisation	1,135,632	878,681
Finance income	(192,524)	(162,135)
Impairment and write-off of exploration assets	71,329	4,107
Net gain or loss on disposal of assets	61,976	-
Earnings before interest, depreciation and amortisation (EBITDA)	3,736,481	(2,466,088)

Armour Energy - Onshore Projects Summary



Kincora Project

- Natural gas, LPG, Oil & Condensate production and development

Northern Territory & North Queensland

- Conventional & unconventional exploration and future production

ATP2046 CSG Project (10% JV Interest)

- Gas to be sold exclusively to Domestic Manufacturers

Uganda Project (17% JV interest)

- Oil exploration

Victoria Onshore Conventional

- Possible exploration & appraisal – on hold

Private Placement: Highlights

Offer Structure and Size	A placement of A$4m by the issue of 80,000,000 Ordinary Shares with one free attaching option for each two shares subscribed for to sophisticated and professional investors.
Issue Price	$0.05 per share
Discounts	The issue price of $0.05 per share represents a discount of: • 30.6% to the last traded price of $0.072 on 18 September 2019 • 21.7% to the 15 day volume weighted average price to 18 September 2019
Options	Unlisted options exercisable at $0.08 per share on or before 30 September 2023
Uses of funds	The proceeds of the placement will be used for: • costs associated with the drilling, completion and connection of 2 development wells • well stimulations of 3 wells • general working capital, corporate overheads and costs of the offer.
Approvals	Shares and options are to be issued under the Company's available placement capacity pursuant to ASX listing rules 7.1 and 7.1A.
Advisor	Bizzell Capital Partners Pty Ltd (an entity associated with non-executive director Stephen Bizzell) is Lead Manager to the issue.

Private Placement: Sources and Uses of Funds

Through to 31 December 2019

Sources of Funds	$'m	Uses of Funds	$'m
Cash on Hand (at 01 September 2019)	8.10	Kincora Area development wells x2 Payments to Drill, Complete & Connect(1)	6.70
Placement Proceeds(3) (approximate funds)	4.00	Well Stimulations (MC5A, PK2, PK4)	2.90
Proposed Entitlements Offer(2) (approximate funds)	6.00	Corporate overheads (including Funding)	4.30
Kincora Operating Revenues (less royalties)	8.80	Kincora Operating Costs	6.50
		Funding Costs (interest payable)	1.40
		Cash for working capital	5.10
Total	**26.90**	**Total**	**26.90**

(1) Kincora Area development wells reflect payments to 31 December 2019. Additional payments of $3.6m are expected in the March quarter.

(2) Assumes that the proposed entitlement offer is fully subscribed. In the event it is not fully subscribed the amount allocated to working capital will be reduced accordingly.

(3) Based on $4M being raised.

NOTE: Funds raised under the Placement and the Proposed Entitlements Offer (assuming that the Minimum Subscription is raised and the Proposed Entitlement Offer is fully subscribed) will, in part, be applied by the Company towards satisfying current and short term finance covenants (to 31 December 2019). Refer to the Key Risks section starting on page 26 of this presentation.

Private Placement Offer: Capital Structure Details

Shares	**Number**
Shares on issue	509,437,570
New Shares to be issued under the Placement[1]	80,000,000
Shares on issue following the Placement Offer[2]	589,437,570
Options[3]	
Options on issue[4]	60,375,000
Options to be issued under the Placement[1]	40,000,000
Options on issue following the Placement Offer [2]	100,375,000
Corporate Bonds[3]	
Corporate Bonds Facility[5]	55,000

The above table outlines the securities on issue as at 13 September 2019.

(1) Based on $4m being raised.

(2) Totals do not include the Proposed Entitlements Offer Shares and Options.

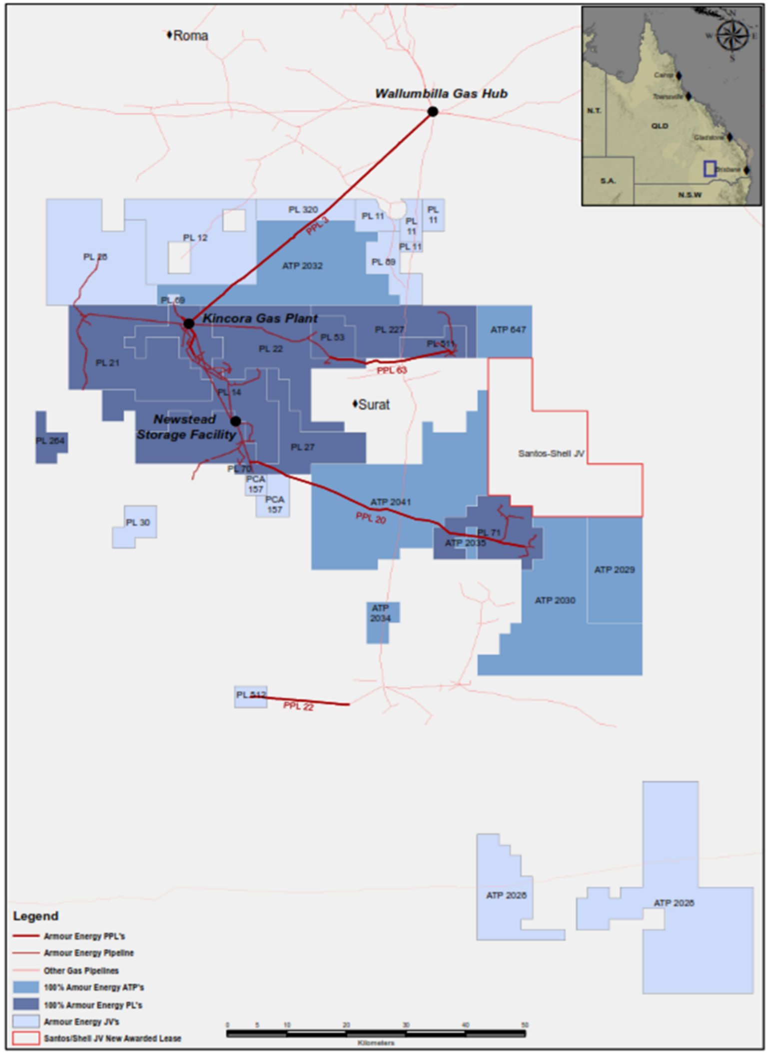
(3) The options and corporate bonds are not listed on ASX.

(4) The options are exercisable at various prices between $0.166 and $0.50 and expire at various dates between 14/12/2019 and 31/07/2021.

(5) The corporate bonds are issued in tranches of $1,000.

Kincora Gas Project

Armour's Kincora Project & Roma Shelf Surat Acreage



Exploration & Production with exciting prospects

Armour's Kincora Project includes:

- 100% Owned and Operated Petroleum Licences (PL) and Pipelines
- 100% Owned and Operated ATPs (Authority to Prospect)
- Acquired from Origin in 2015 / 2016
- Plant had been in care and maintenance since 2012
- Armour restarted production of oil (2016) and gas (2017)
- Assets include gas gathering pipelines, field compression and Kincora Gas Plant, and sales gas pipeline
- Connected to east coast market at Wallumbilla

Armour's Kincora Project - Production

- Armour Energy acquired the historic "Kincora Gas Project" from Origin Energy in 2015
- To date this project has produced over 190PJ of gas
- Production from Kincora commenced in 1977 via the construction of the Kincora to Wallumbilla Pipeline – PPL3
- Armour delivers gas to the Eastern Australian Market via PPL3 which has a capacity of 30TJ/d; plant capacity current status is 20TJ/d with potential to deliver 30TJ/d following performance and reliability checks
- Producing on average 9TJ/d with up to 12TJ/d, 2019 to date
- GSA with APLNG for up to 10TJ/d over 5 years to 2023; sales over 10TJ/d go to spot market
- Work program now in place to increase production
- Oil & Condensate sales – 170bbl/day
- LPG Sales – 14 tonnes per day

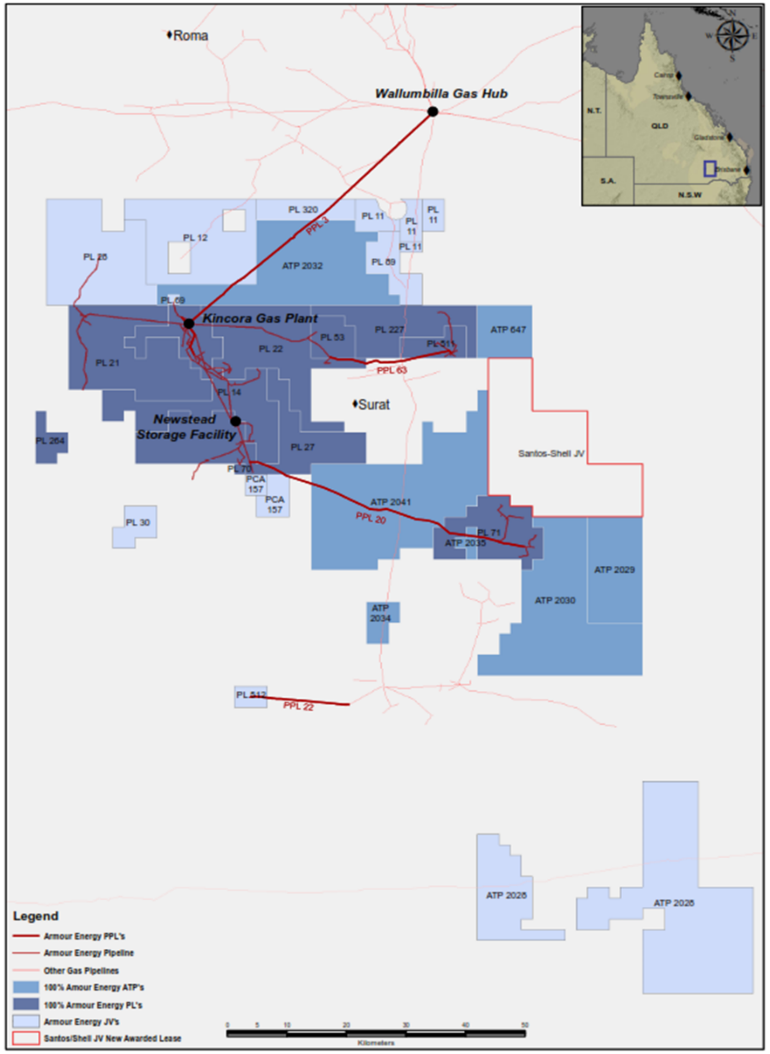
Kincora Project - Development

Ensign drilling rig 964 on location of the Armour Energy Myall Creek 4A well
June 2018

- 2 well development program Q3 / Q4 2019; rig planned to mobilisation later this month
- Wells strategically located near to Armour's existing infrastructure for easy connection to market
- Workovers planned on several existing gas and oil wells seeking to increase production rates in 2019
- 2020 work program being developed
- 5 year development plan to maintain production profile and reserve replacement ratio
- 3rd party certified 2P reserves of 123.6 PJ [1]
- New 3D seismic over production leases (and exploration leases)

(1) Source: Armour Energy ASX Announcement on 18 February 2019

Kincora Project - Exploration



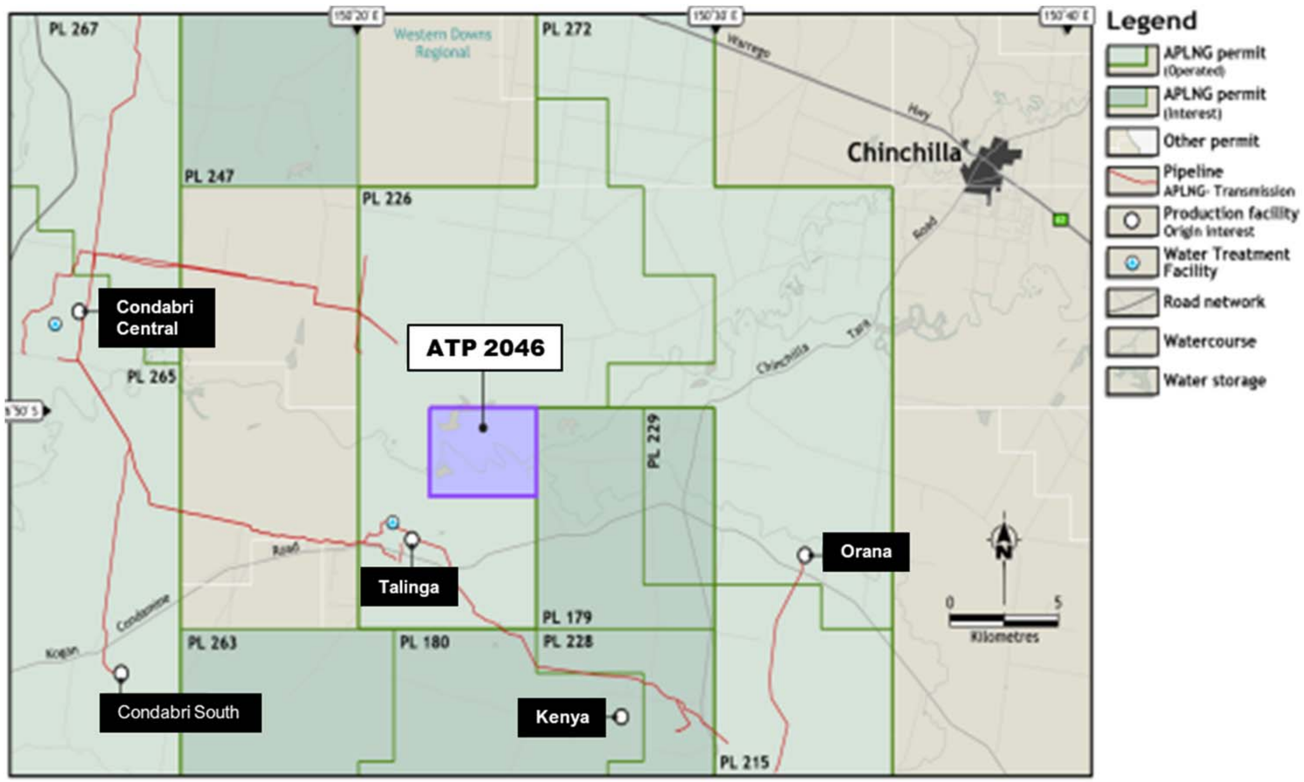
Exploration is in Armour's DNA

Armour's Kincora Project includes:

- 100% Owned and Operated ATPs (Authority to Prospect)
- Over 2000km² of Exploration acreage (ATP's)
- Significant number of prospects and leads inventory
- Exploration acreage located near existing infrastructure with access to market
- Working up new 3D seismic program; preliminary works underway including biodiversity studies and land access
- ATP 2032 and ATP 2041 – specifically allocated to Domestic Gas Customers
- ATP 2041 adjacent to recently granted Santos & Shell (50:50 JV) block
- Multi-TCF play being worked up across ATPs and PLs

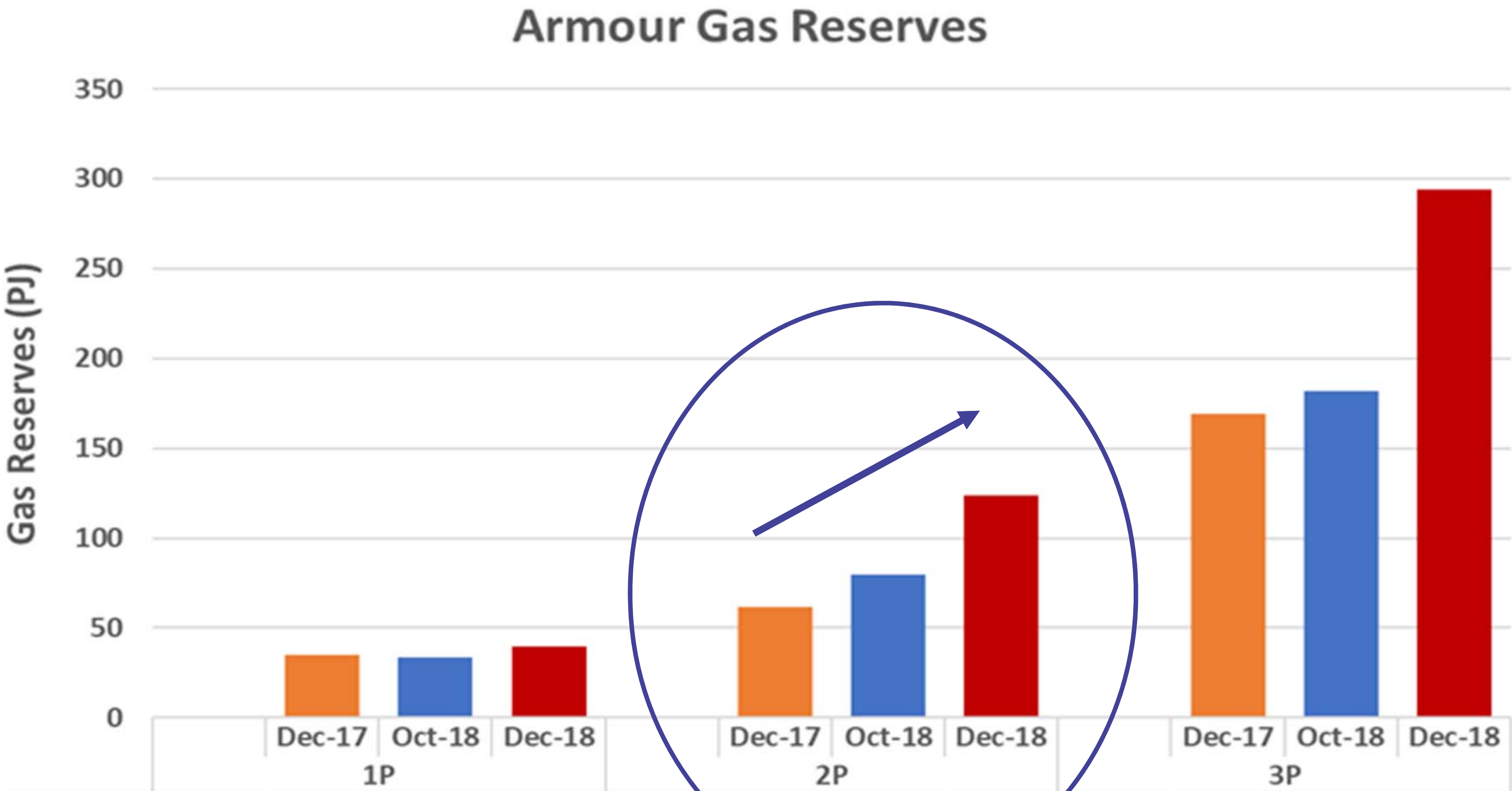
ATP2046 CSG Project

Australia's first "Manufacturing Business Gas Supply Block"



- In 2019 an Australia Pacific LNG (APLNG) – Armour Energy Limited Joint Venture was awarded Australia's first tenure to be allocated to the supply of gas exclusively to Australian Manufacturers
- Armour Energy holds a 10% JV interest in the tenure, with APLNG as Operator of the block
- Block is strategically positioned 22km south of the town of Chinchilla and adjacent to the APLNG's Talinga Gas and Water Processing Facilities
- It is expected that production from the tenure will likely commence in mid-2021

Kincora Project - Certified Reserves



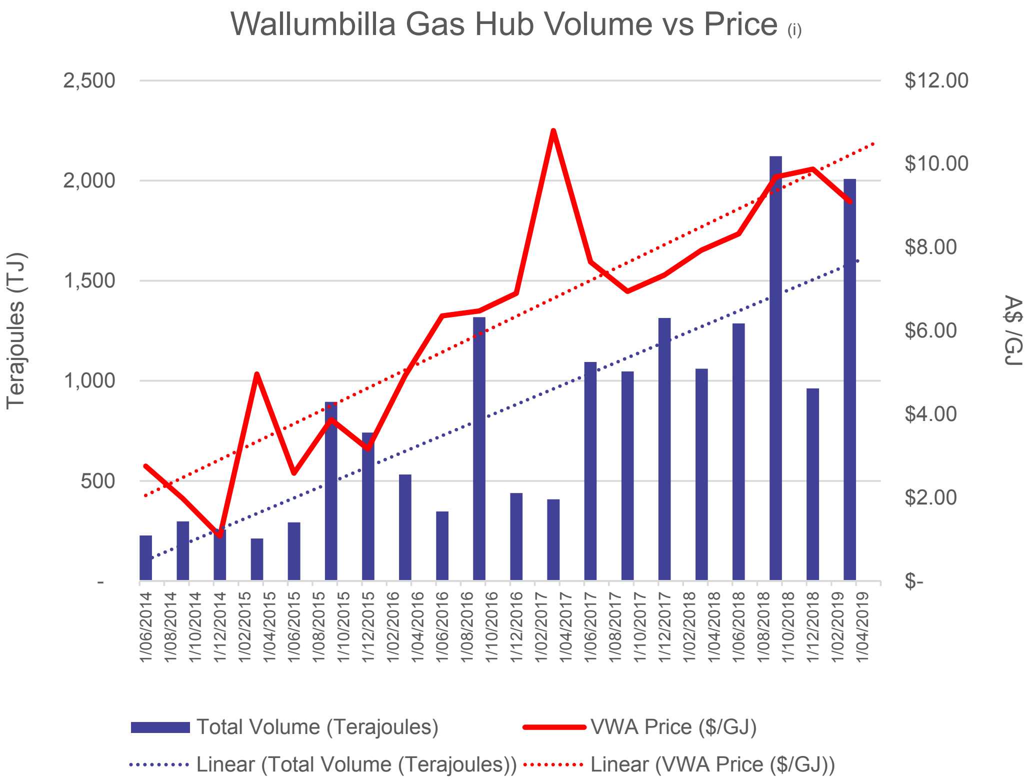
	1P Dec-17	1P Oct-18	1P Dec-18	2P Dec-17	2P Oct-18	2P Dec-18	3P Dec-17	3P Oct-18	3P Dec-18
Gas (PJ)	35.2	33.8	39.6	61.7	79.3	123.6	169.1	182.0	294.0

Notes:

- Petroleum reserves are classified according to SPE-PRMS.
- Petroleum reserves are stated on a risked net basis with historical production removed.
- All reserves are listed 100% Armour (reserves exclude Waldgrave JV area)
- Petroleum Reserves have no deduction applied for gas used to run the process plant estimated at 7%.
- BSCF = billion cubic feet, PJ = petajoules, bbls = barrels, gas conversion 1.137 PJ/BCF.
- 1P = Total Proved; 2P = Total Proved + Probable; 3P = Total Proved + Probable + Possible.
- LPG Yield 2065 tonnes/petajoule, Condensate Yield 9938 barrels/petajoule.

(1) Source: Armour Energy ASX Announcement on 18 February 2019

Australian East Coast Gas Prices and Forecast



Source : (i) AER wholesale statistics – (i) STTM quarterly prices average daily weighted prices by quarter
(ii) To be able to sell this gas Armour will have to spend additional capex on Facilities and Development Wells

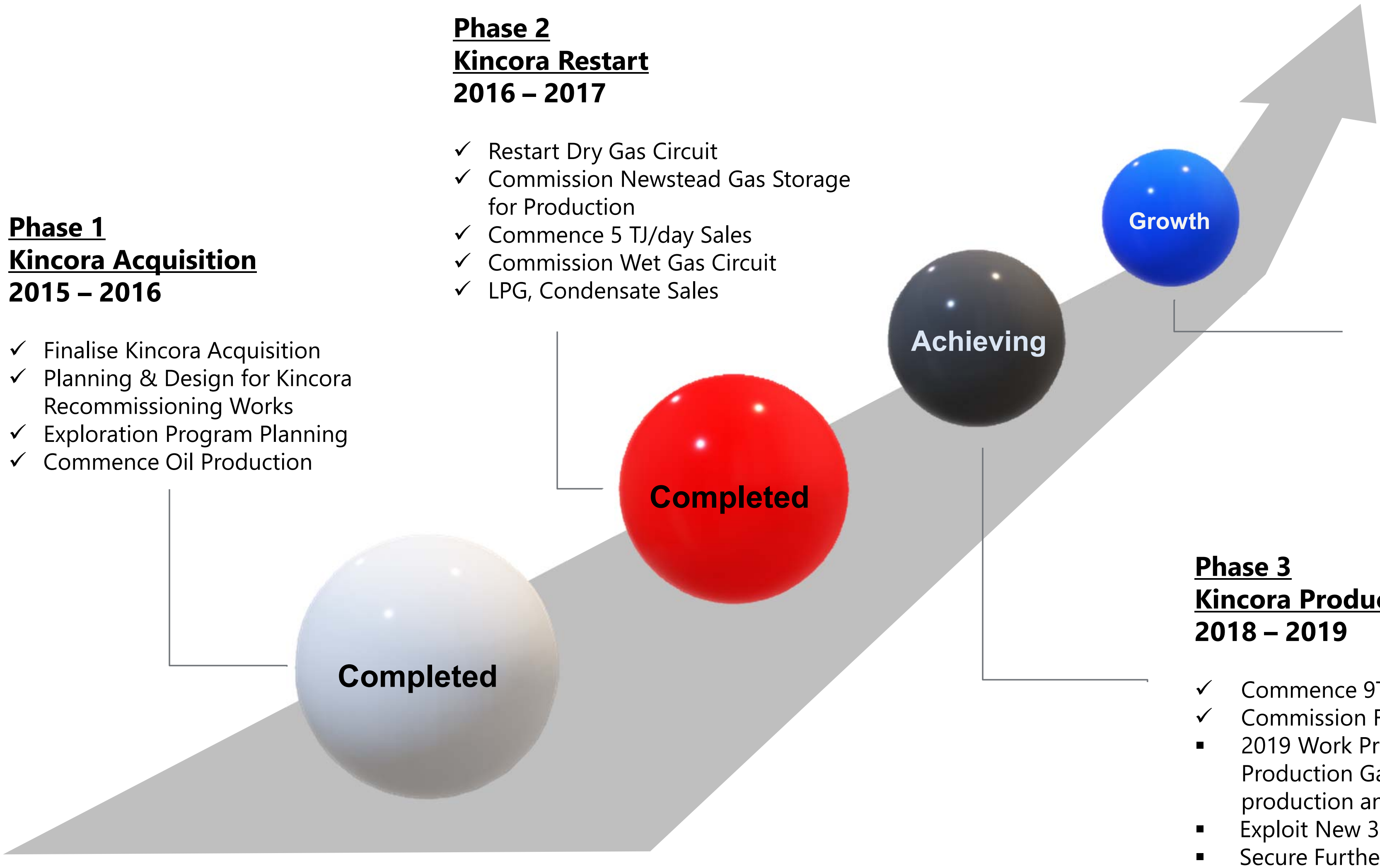
- Armour is contracted to Australia Pacific LNG for the supply of up to 3.65PJ per year for 5 years from Dec 2018
- For production volumes beyond this, Armour will be able to take advantage of the strong east coast gas market
- Wallumbilla Gas Price has continued to increase in addition to quarterly volume increases
- Increasing reserves based on drilling new wells increases current uncontracted volumes

Armour's uncontracted gas position(ii):

2P reserves: 105PJ

3P reserves: 275PJ

Armour's Roma Shelf Growth Strategy: A Portfolio for Domestic Supply



<u>Phase 1</u>
<u>Kincora Acquisition</u>
2015 – 2016

- ✓ Finalise Kincora Acquisition
- ✓ Planning & Design for Kincora Recommissioning Works
- ✓ Exploration Program Planning
- ✓ Commence Oil Production

<u>Phase 2</u>
<u>Kincora Restart</u>
2016 – 2017

- ✓ Restart Dry Gas Circuit
- ✓ Commission Newstead Gas Storage for Production
- ✓ Commence 5 TJ/day Sales
- ✓ Commission Wet Gas Circuit
- ✓ LPG, Condensate Sales

<u>Phase 3</u>
<u>Kincora Production Growth</u>
2018 – 2019

- ✓ Commence 9TJ/ Day Sales
- ✓ Commission Field Compressors
- ▪ 2019 Work Program to Drill New Production Gas Wells, increase production and sales
- ▪ Exploit New 3D Over Surat PL's
- ▪ Secure Further Gas Sales Agreements

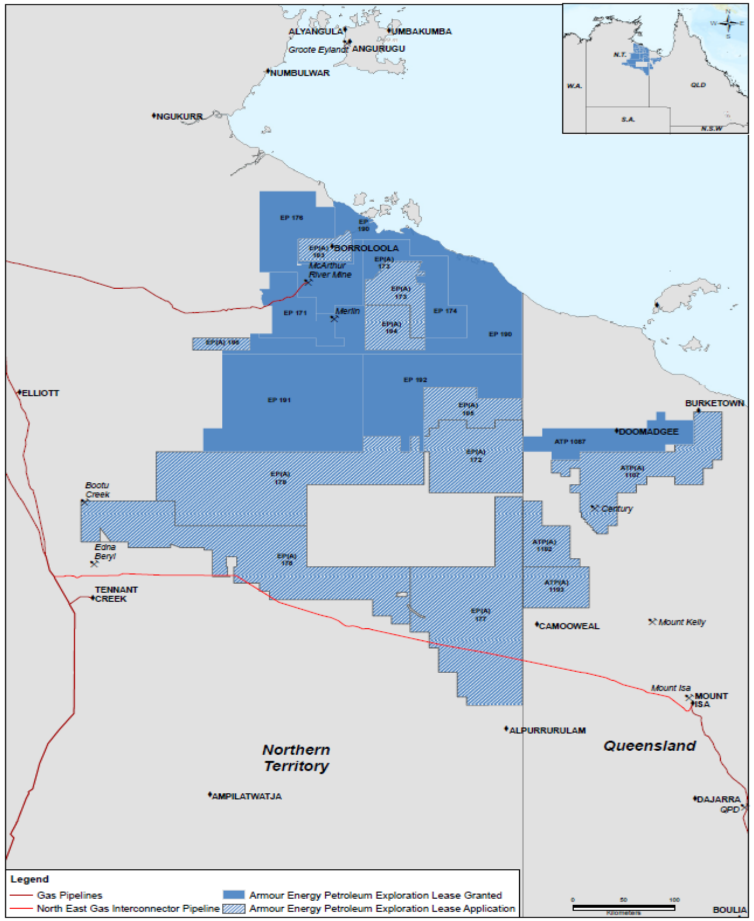
<u>Phase 4</u>
<u>Multi TCF Armour Growth</u>
2018 – 2023+

- ✓ Refinance Assets
- ▪ Exploit Kincora Project target up to 30 TJ/Day Production and Sales
- ▪ Commence exploration across broader "Roma Shelf" portfolio
- ▪ Target ~1600PJ 3P by 2023
- ▪ Define and Assess new 100TJ/d – 250TJ/d gas plant associated with Roma Shelf development

Northern Australia Project

Queensland and Northern Territory Exploration and Development

Northern Australia Project Area – Available for Farm-in Partners



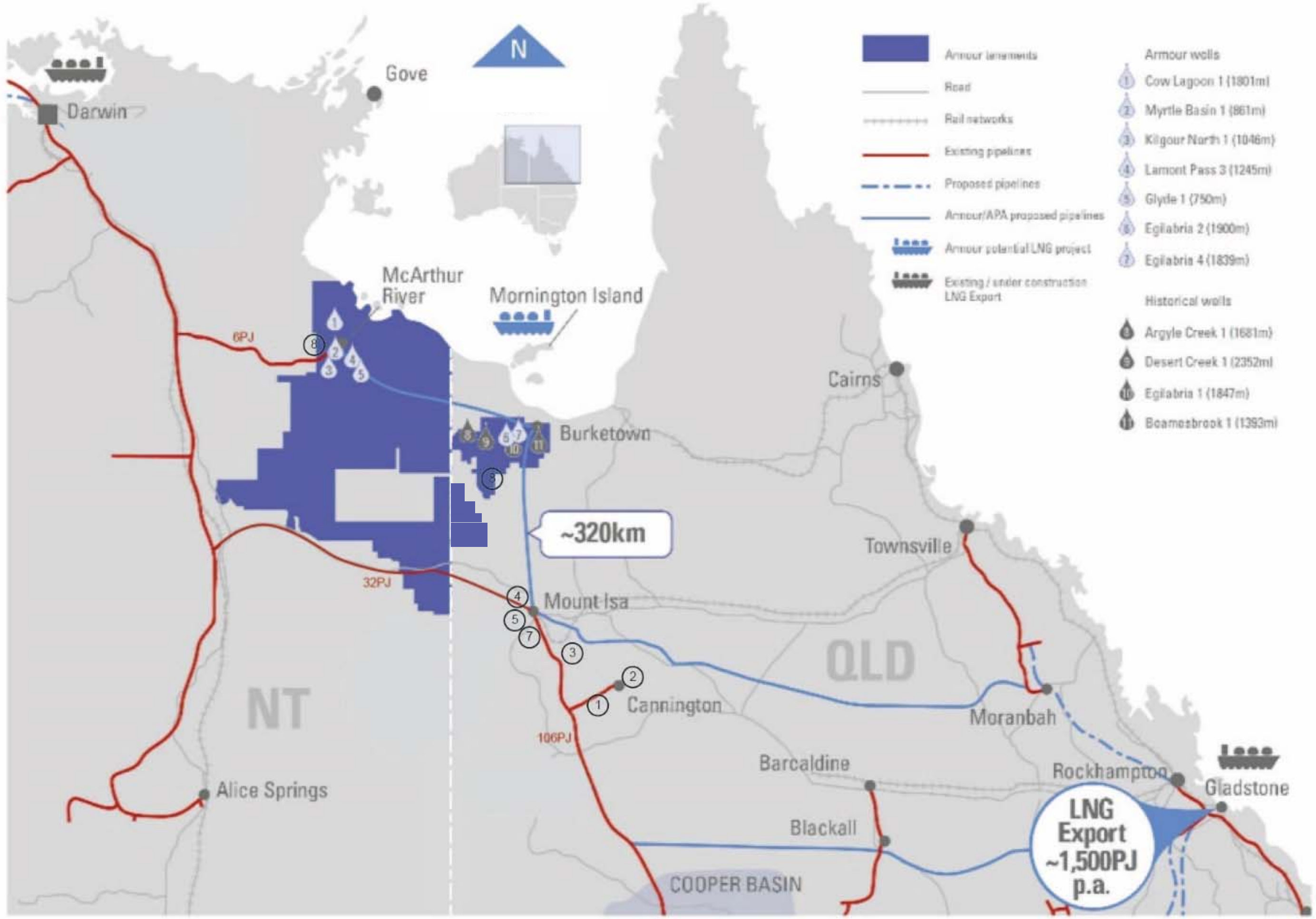
- 33 million contiguous acres (133,951 km²) in Northern Australia (i.e. Northern Territory and north Queensland)
- 7 wells drilled in Queensland and Northern Territory - $67M expenditure
- Potential Near Term Production- 90% Methane with Helium Upside
- Well Understood Rock Properties - up to 11% Total Organic Carbon content (TOC) (1)
- >700km of reprocessed 2D seismic control
- Prospective Gas Resource of 57 TCF (Best Estimate) (2)

Total Resources – North Queensland Project (1)	1C	2C	3C
Net Gas Resource (BCF) (Less Fuel and Flare 5%)	33.1	154.4	364.0
Net Gas Resource (PJ) (Less Fuel and Flare 5%)	31.8	148.5	350.1

(1) Source: Armour ASX Announcement 16 July 2014 – located in the Queensland Project Area
(2) Source: Armour ASX Announcement 21 September 2015

Cautionary statement: The estimated quantities of petroleum that may potentially be recovered by the application of a 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.

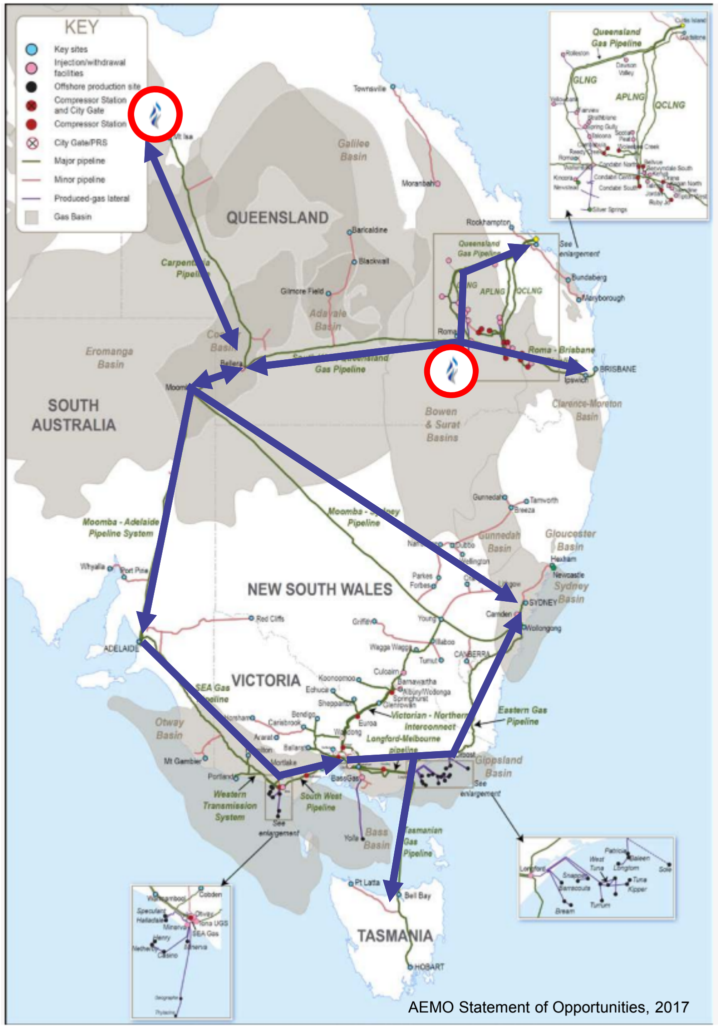
Northern Australia Project - Market



- Key local markets in Northern Australia
- Currently supplied by Cooper Basin and Amadeus Basin
- Potential for production close to major market

Source : Market data based on Maximum Daily Quantity of Gas Deliverable https://www.apa.com.au/globalassets/documents/info/schematic/cgp-schematic.pdf

Armour's Access to East Coast Markets

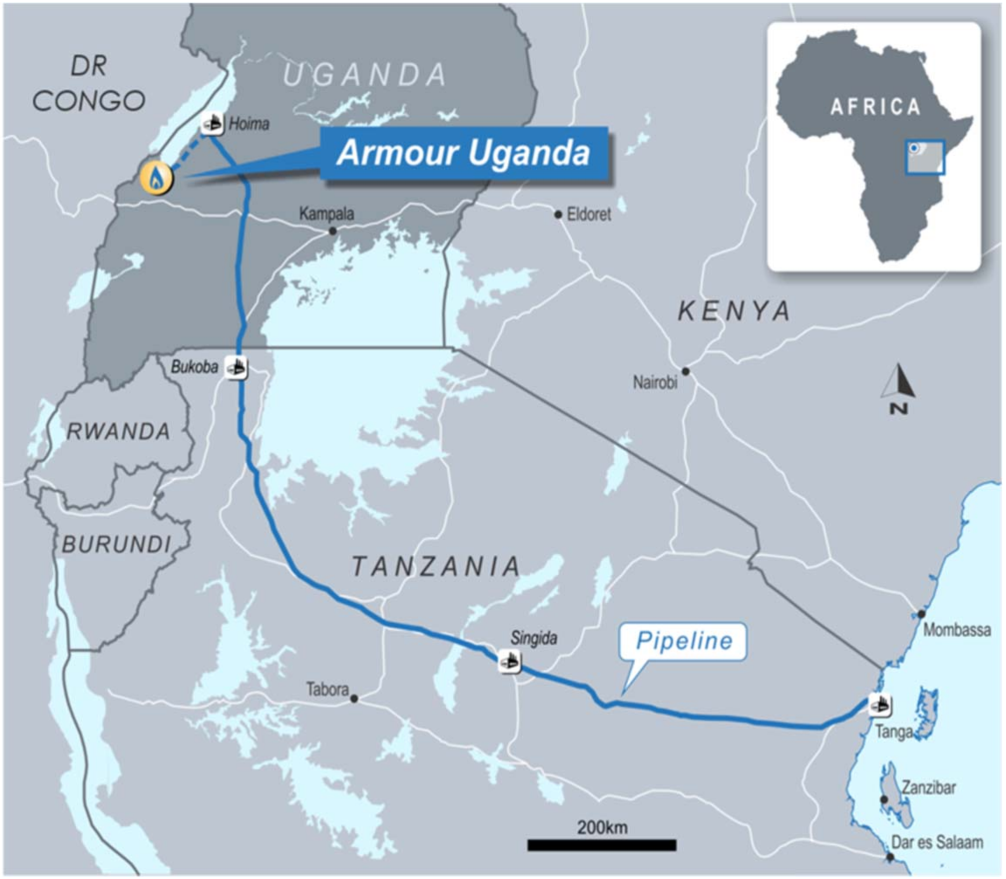


- Armour's Projects are strategically located – adjacent to existing gas pipeline infrastructure
- Field Development Planning is underway to support a multi-TCF project associated with the Roma Shelf Assets and potential in the Northern Australian Projects
- Armour's gas is available to the East Coast via existing pipeline infrastructure.
- Access to long term gas contracts and spot gas market
- **Armour are actively engaging with potential Joint Venture Partners with respect to possible Farm-in arrangements to assist with funding future appraisal**

Right Infrastructure, Right Location

Uganda and Victorian Projects

Uganda oil project



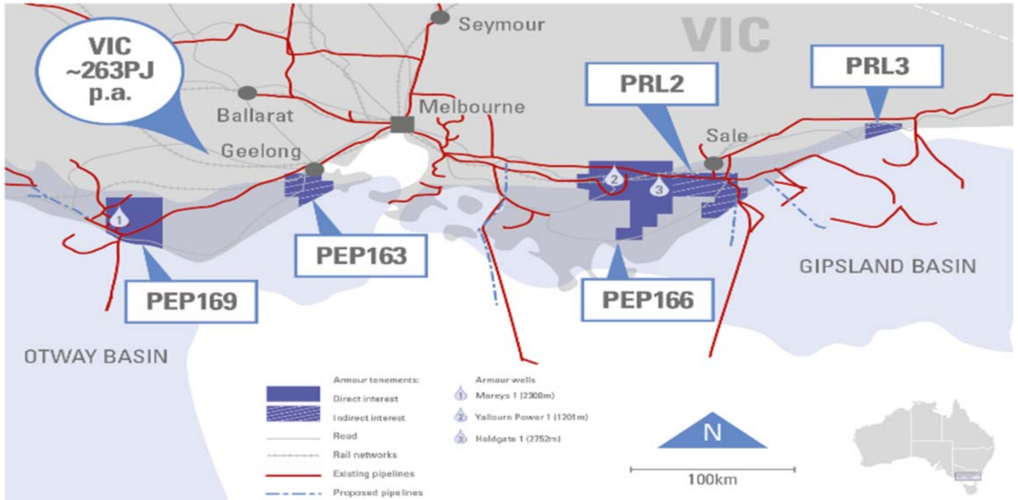
Kanywataba Block

- Located within the Albertine Graben
- Albertine Graben discoveries to date = 6.5 Billion BBLs of oil in place[(i)]
- Granted to Armour Energy in September 2017; 83% DGR Global beneficial interest and Armour Energy 17%
- Multiple developed (untested) on-trend structural traps remain (3-way and 4-way dip closures) and multiple untested stratigraphic traps
- Kingfisher oil discovery (40km NE of Kanywantaba); oil seeps confirm local working petroleum system. 3000-5000bbl/day from existing producers
- Kanywataba Oil Resource Best Estimate[(2)] - Targets 2 and 3 Risked 57-193 MMBLS Recoverable (Internal Armour Estimate)
- Pro-resource development Government

(i) ASX Release 19 September 2017
Map Source - DGR Global Website - http://www.dgrglobal.com.au/dgr-uganda

Cautionary Statement - The estimated quantities of petroleum that may potentially be recovered by the application of a 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.

Victoria: Onshore Otway and Gippsland Basins (JV with Lakes Oil)




Wombat - 2 located in PRL2

- Otway and Gippsland Basins highly prospective
- AJQ : 51% in PEP169 and 25% in PEP166 (Otway)
- Farm-in rights and acquisition to PRL2 (Gippsland)
- 6.3% Shareholder in Lakes Oil
- Stacked conventional / unconventional plays
- Near existing infrastructure and major gas users
- Victoria has a ban on unconventional and a moratorium on conventional onshore exploration

Key Risks

This section describes potential risks associated with Armour's business and risks associated with an investment in Armour. It does not purport to list every risk that may be associated with an investment in Armour now or in the future and the occurrence or consequences of some of the risks described in this section are partially or completely outside the control of Armour or its directors and senior management team. This assessment is based on the knowledge of the directors as at the date of this presentation but there is no guarantee or assurance that the importance of different risks will not change or other risks emerge.

Prospective investors should satisfy themselves that they have a sufficient understanding of these matters, including the risks described below. Prospective investors should also consult their own financial, legal, tax and/or other professional advisers about risks associated with an investment.

- **Current Funding and Capital Requirements**

Armour Energy has issued Corporate Bonds under the terms of the Information Memorandum with FIIG Securities Limited lodged with the ASX on 29 March 2019. These Corporate Bonds require financial covenants to be satisfied on either an on-going basis or specified test dates (Financial Covenants). This requires the management of Armour Energy to monitor and manage the operations, the financial performance and the funding and capital requirements of the Company to ensure that these Financial Covenants are satisfied.

The raising of funds under the Placement and the Proposed Entitlement Offer will, in part, be applied by the Company to meet current (30 September 2019) and short term Financial Covenants (through to 31 December 2019). The application of those funds in the manner contemplated under Use of Funds on page 8 of this presentation are for the purpose of supporting the future financial performance of the Company and the satisfaction of the on-going Financial Covenants.

If Armour raises the Minimum Subscription under this Placement but the Proposed Entitlement Offer is not fully subscribed, this will reduce the money held by the Company and may reduce the money able to be allocated to operating and exploration costs detailed under Use of Funds on page 8 of this presentation. This could impact the financial performance of the Company and

may result in default under the Financial Covenants (whether the short term Financial Covenants to 31 December 2019 or Financial Covenants beyond this date). Even if the Proposed Entitlement Offer is fully subscribed, there can be no assurance that default will not occur under the Financial Covenants at some time in the future. Default under the Financial Covenants may result in a range of actions being undertaken by the holders of the Corporate Bonds, including the appointment of administrators or receivers.

As noted above, the Company will monitor the on-going financial performance of the Company having regard to the management and satisfaction of on-going Finance Covenants and may, if required, adopt a course of action which seeks to prevent a breach of the Financial Covenants, including, without limitation, any one or combination of the following actions:

- the disposal of assets of the Company;
- entry into joint venture / farm-in arrangements with third parties; or
- the negotiation of amended financial covenants with the holders of the Corporate Bonds.

However, there can be no assurance that any or all of these actions will be available to or successfully implemented by the Company or that such actions will enable the Company to avoid a breach of the Financial Covenants.

- **Industrial risk**

Industrial disruptions, work stoppages and accidents in the course of Armour Energy's operations could result in losses and delays, which may adversely affect profitability.

- **Regulatory risk and government policy**

The availability and rights to explore and produce oil and gas, as well as industry profitability generally, can be affected by changes in government policy that are beyond the control of Armour Energy.

The governments of the relevant States and Territories in which Armour Energy has interests conduct reviews from time to time of policies in connection with the granting and administration of petroleum tenements. Changing attitudes to environmental, land care, cultural heritage or traditional religious artefacts and indigenous land rights issues, together with the nature of the political process, provide the possibility for future policy changes. There is a risk that such changes may affect Armour Energy's exploration plans or, indeed, its rights and/or obligations with respect to the tenements.

- **Uncertainty of development of projects and exploration risk**

Oil and gas exploration and development are high risk undertakings and involve significant risks. Armour Energy's performance depends on the successful exploration and/or acquisition of resources or reserves and commercial production therefrom. There can be no assurances that Armour Energy's exploration programs described in this Information Memorandum or those relating to any projects or tenements that Armour Energy may acquire in the future, will result in the discovery of a significant gas and/ or associated liquids target, and even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

Armour Energy's potential future earnings, profitability and commercialisation of gas and/ or associated liquids reserves and resources will be dependent on the successful discovery and subsequent extraction of those resources to the extent that may be required to fulfil commercial obligations.

Successful commodity development and production is dependent on obtaining all necessary consent and approvals and the successful design, construction and operation of efficient gathering, processing and transportation facilities. No assurance can be given that Armour Energy will be able to obtain all necessary consents and approvals in a timely manner, or at all.

Successful commodity development is also dependent on appropriate development and/or expansion of both new and existing facilities required to connect resources to market by Armour Energy and, in certain instances, by third parties. No assurance can be given that Armour Energy can rely on the timely development and/or expansion of such facilities.

- **Health and safety risk**

As with any gas and/ or associated liquids project, there are health and safety risks associated with Armour Energy's gas operations in Australia and overseas. Armour Energy manages these risks, through the application of structured health and safety management systems. As the operator of plant and equipment, Armour Energy has specific legislative obligations to ensure that its personnel and contractors operate in a safe working environment.

Key Risks Continued

- **Contractual and joint venture risks**

Armour Energy's ability to efficiently conduct its operations in a number of respects depends upon third party product and service providers and contracts. Accordingly, in some circumstances, contractual arrangements have been entered into by Armour Energy and its subsidiaries. As in any contractual relationship, the ability for Armour Energy to ultimately receive benefits from these contracts is dependent upon the relevant third party complying with its contractual obligations.

To the extent that such third parties default in their obligations, it may be necessary for Armour Energy to enforce its rights under any of the contracts and pursue legal action. Such legal action may be costly and no guarantee can be given by Armour Energy that a legal remedy will ultimately be granted on appropriate terms.

Additionally, some existing contractual arrangements have been entered into by Armour Energy and its subsidiaries may be subject to the consent of third parties being obtained to enable Armour Energy to carry on all of its planned business and other activities and to obtain full contractual benefits.

No assurance can be given that any such required consent will be forthcoming. Failure by Armour Energy to obtain such consent may result in Armour not being able to carry on all of its planned business and other activities or proceed with its rights under any of the relevant contracts requiring such consent.

A number of Armour Energy's projects are already the subject of joint venture arrangements. Additionally, Armour Energy may wish to develop its projects or future projects through further joint venture arrangements. Any joint ventures entered into by, or interests in joint ventures assigned to, Armour Energy could be affected by the failure or default of any of the joint venture participants.

- **Tenements**

A failure to adhere to the requirements to exceed certain levels of expenditure on concessions and tenements held by Armour Energy (or its subsidiaries) in various jurisdictions may make certain concessions and tenements subject to possible forfeiture. All granted concessions and tenements are currently in good standing and, in accordance with normal industry practice, Armour Energy surrenders some or all un-prospective parts of its concessions and tenements at the appropriate time so as to manage its minimum expenditure obligations and to retain the capacity to apply for additional prospective areas. In this regard Armour Energy submits tenders from time to time to seek to obtain further prospective areas and has recently tendered for one new tenement in Queensland and is in the process of submitting a tender for a further tenement.

In respect of granted tenements, no assurance can be given that Armour Energy will be successful in managing its minimum expenditure obligations and retaining such tenements, and in respect of tendered tenements there is no assurance that Armour Energy will be successful in being awarded the tenements. Armour Energy is currently negotiating the terms of the Ugandan tenement renewal.

- **Product sales, commodity prices and transportation**

Armour Energy's potential future revenues will be derived mainly from the sale of gas and/or associated liquids. Consequently, Armour Energy's potential future earnings, profitability and growth are likely to be closely related to both the price of gas and associated liquids and the cost to extract, process and transport the gas and/or associated liquids to the market. Whilst Armour Energy has entered into gas sale agreements with Australian Pacific LNG Marketing Pty Ltd (APLNG), there can be no assurance that Armour Energy will ultimately be able to sell or transport the gas and/or associated liquids that it produces on commercial terms to APLNG or other parties. Gas is a traded commodity in Australia and its long-term price may rise or fall. In other jurisdictions, gas prices may be regulated or subject to regulation, that could cause prices to be lower than the cost of production.

Gas transport prices in open access transmission gas pipelines are subject to available capacity and are generally subject to regulation in Australia although gas transport capacity is also a traded commodity particularly when capacity is restricted. This can result in gas transport prices that are higher than regulated or, in the worst case, delay to or even inability to transport at an economic price.

Additionally, Armour Energy's prospects and perceived value will be influenced from time to time by the prevailing short-term prices of the commodities targeted in its exploration programs. Commodity prices fluctuate and are affected by factors including supply and demand for mineral products, hedge activities associated with commodity markets, the costs of production and general global economic and financial market conditions.

These factors may cause volatility which in turn, may affect Armour Energy's ability to finance its future exploration and/or bring Armour Energy's products to market.

- **Additional requirements for capital**

Armour Energy's capital requirements depend on numerous factors. Depending on such factors as:

- the continuation of receipt of operating revenue from producing wells;
- the outcome of Armour Energy's exploration programs;
- successfully accessing all of the GAP funding;

Armour Energy may require further financing in addition to amounts raised under this Placement and the Proposed Entitlements Offer. If Armour Energy is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programs. In addition, Armour Energy's ability to continue as a going concern may be diminished.

There is no guarantee that Armour Energy will be able to secure any additional funding or be able to secure funding on terms favourable to Armour Energy and such circumstances will adversely affect Armour Energy.

- **Insurance risk**

Armour Energy maintains insurance within ranges of coverage Armour Energy believes to be consistent with industry practice and having regard to the nature of activities being conducted. No assurance, however, can be given that Armour Energy will be able to continue to obtain such insurance coverage at reasonable rates or that any coverage it arranges will be adequate and available to cover any such claims.

- **Operational risks and costs**

Armour Energy is currently a producer of oil and gas which is sold under commercial contracts. Armour Energy's immediate plans and objectives are dependent upon a continuation of such production generating operating surpluses to assist Armour Energy in funding its planned expenditure programs. Whether it can do so will depend largely upon an efficient and successful, operation and exploitation of the resources and associated business activities and management of commercial factors.

Operation and exploitation may from time to time be hampered on occasions by unforeseen operating risks, as would any other industry. For example, force majeure events, power outages, critical equipment or pipe failures, and environmental hazards such as noise, odours, gas leaks, hazardous substances spills, other weather events, industrial accidents and other accidents, unforeseen cost changes and other incidents beyond the control of Armour Energy can negatively impact on Armour Energy's activities, thereby affecting its profitability and ultimately, the value of its securities.

Ultimate success depends on the discovery and delineation of economically recoverable mineral resources, establishment of efficient exploration operations, obtaining necessary titles and access to projects, as well as government and other regulatory approvals.

The exploration and mining activities of Armour Energy may be affected by a number of factors, including but not limited to geological conditions; seasonal weather patterns; equipment difficulties and failures, technical difficulties and failures; continued availability of the necessary technical equipment, plant and appropriately skilled and experienced technicians; improper, defective and negligent use of technical plant and equipment; improper, defective and negligent conduct by employees, consultants and contractors; adverse changes in government policy or legislation; and access to the required level of funding.

- **Competition risk**

The gas and associated liquids industry that Armour Energy is involved in is highly competitive in Australia. Although Armour Energy will undertake all reasonable due diligence in its business decisions and operations, Armour Energy will have no influence or control over the activities or actions of its competitors, which may positively or negatively affect the operating and financial performance of Armour Energy's projects and business. There can be no assurance that Armour Energy can compete effectively with numerous other gas and associated liquids companies in the search for gas and associated liquids reserves and resources.

Key Risks Continued

- **Resource estimates**

Resource estimates are not precise and involve expressions of judgement based on knowledge, experience and industry practice. Estimates, which were valid when made, may change significantly when new information becomes available. In addition, resource estimates depend to a significant extent on interpretation of geological boundaries, which may prove to be inaccurate. Should Armour Energy encounter unusual mineralisation to that predicted by past drilling and mining, resource estimates may have to be adjusted and feasibility studies may have to be altered in a way that could either benefit or adversely affect Armour Energy's financial projections.

- **Speculative nature of investment**

The above list of risk factors is not to be taken as exhaustive of the risks faced by Armour Energy. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of Armour Energy. Potential investors should consider that an investment in Armour Energy is highly speculative and should consult their professional advisers before deciding whether to accept the Offer.

- **Management actions**

The Directors will, to the best of their knowledge, experience and ability (in conjunction with management) endeavour to anticipate, identify and manage the risks inherent in the activities of Armour Energy, but without assuming any personal liability for same, with the aim of eliminating, avoiding and mitigating the impact of risks on the performance of Armour Energy and its securities.

- **Unforeseen expenses**

Armour Energy's cost estimates and financial forecasts include appropriate provisions for material risks and uncertainties and are considered to be fit for purpose for the proposed activities of Armour Energy. If risks and uncertainties prove to be greater than expected, or if new currently unforeseen material risks and uncertainties arise, the expenditure proposals of Armour Energy are likely to be adversely affected.

- **Funding**

Armour Energy must undertake significant capital expenditures in order to conduct its development appraisal and exploration activities. Limitations on the access to adequate funding could have a material adverse effect on the business, results from operations, financial condition and prospects. Armour Energy's business and, in particular development of large scale projects, relies on access to debt and equity funding. There can be no assurance that sufficient debt or equity funding will be available on acceptable terms or at all.

Furthermore should Armour Energy be able to access debt there is a risk of default, either where Armour cannot make the required payments or from a 'technical default' in which certain conditions of the debt securities are not met, which may result in a range of actions being undertaken by any secured lender, including the appointment of administrators or receivers.

Armour Energy endeavours to ensure the best source of funding is obtained to maximise shareholder value, having regard to prudent risk management supported by economic and commercial analysis of all business undertakings.

- **General economic conditions**

Factors such as inflation, currency fluctuations, interest rates, supply and demand, industrial disruption, government policy and legislation have an impact on operating costs, commodity prices, and the parameters in which Armour Energy operates. Factors that may be beyond the control of Armour Energy include:

- general economic conditions in Australia and its trading partners and, in particular, inflation rates, interest rates, exchange rates, commodity supply and demand factors;
- financial failure or default by a participant in any of the joint ventures or other contractual relationship to which Armour Energy is, or may become, a party;
- insolvency or other managerial failure by any of the contractors used by Armour Energy in its activities; and industrial disputes.

These as well as other conditions can affect Armour Energy's future revenues and profitability and the price of its securities.

- **Taxation and royalties**

In all places where Armour Energy has operations, in addition to the normal level of income tax imposed on all industries, Armour Energy may be required to pay government royalties, indirect taxes, goods and services tax and other imposts which generally relate to revenue or cash flows. Industry profitability can be affected by changes in government taxation policies.

In Australia, the Federal Government introduced the Petroleum Resources Rent Tax (PRRT) to tax profits generated from the exploitation of onshore oil and gas projects, to apply from 1 July 2012. It is possible that the PRRT may adversely affect Armour Energy to the extent that the PRRT applies to gas and associated liquids produced and sold by Armour Energy from onshore production.

- **Commodity price risks**

Armour Energy's prospects will be influenced by the price obtained from time to time for the commodities targeted in its exploration programs. Commodity prices fluctuate and are affected by factors including the relationship between global supply and demand for minerals, forward selling by producers, costs of production and general global economic conditions.

Commodity prices are also affected by the outlook for inflation, interest rates, currency exchange rates and supply and demand factors. These factors may have an adverse effect on Armour Energy's exploration and any subsequent development and production activities, as well as its ability to fund its future activities.

- **Contractors**

Armour Energy is dependent on contractors and suppliers to supply vital services to its operations. Armour Energy is therefore exposed to the possibility of adverse developments in the business environments of its contractors and suppliers. Any disruption to services or supply may have an adverse effect on the financial performance of Armour Energy.

- **Reliance on key personnel**

In formulating its exploration programs, Armour Energy relies to a significant extent upon the experience and expertise of the Directors, management and employees.

These persons possess knowledge of many of Armour Energy's tenements through extensive personal experience of prospecting in those areas.

Although information concerning Armour Energy's tenements has been chronicled, the loss of one or more of these key personnel may adversely affect Armour Energy's prospects of pursuing its exploration programmes within the timeframes and within the cost structure currently envisaged. Although the key personnel have a considerable amount of experience and have previously been successful in their pursuits of important prospecting discoveries, there is no guarantee or assurance that they will be successful in their objectives pursuant to Armour Energy.

The ability of Armour Energy to achieve its objectives depends on being able to retain certain key employees, skilled operators and tradespeople. Whilst Armour Energy has entered into employment contracts with key employees, the retention of their services cannot be guaranteed. The loss of key employees or skilled operators and tradespeople could significantly affect the performance of Armour Energy's operations.

- **Australian Native Title risk and Aboriginal Cultural Heritage**

The *Native Title Act 1993* (Cth) recognises certain rights of indigenous Australians over land where those rights have not been extinguished. These rights, where they exist, may impact on the ability of Armour Energy to carry out exploration and in future, mining activities, or obtain exploration or mining licences in Australia. In applying for licences over crown land, Armour Energy must observe the provisions of Native Title legislation.

In Queensland, the *Aboriginal Cultural Heritage Act 2003* (Qld) and the *Torres Strait Islander Cultural Heritage Act 2003* (Qld) (which commenced on 16 April 2004) impose duties of care which require persons, including Armour Energy, to take all reasonable and practical measures to avoid damaging or destroying Aboriginal cultural heritage.

In carrying out exploration and/or mining operations, Armour Energy must observe Native Title legislation (where applicable), Aboriginal heritage legislation and heritage legislation which protects sites and objects of significance and these may delay or impact adversely on Armour Energy's operations in Australia.

- **Environmental risks**

Armour Energy's projects are subject to laws and regulations in relation to environmental matters. As a result, there is the risk that Armour Energy may incur liability under these laws and regulations. Armour Energy proposes to comply with applicable laws and regulations and conduct its programs in a responsible manner with regard to the environment.

Highlights

- Australian company working to deliver gas to the East Coast gas market
- Independent oil and gas exploration & production company with positive operational cashflow and significant growth potential
- Portfolio of quality exploration and appraisal projects provide additional long term value drivers, with demonstrate potential to increase gas reserves
- 105PJ (2P) and 275PJ (3P) in currently uncontracted gas reserves associated with the Kincora Project
- Positive East Coast Australia gas market setting with strong demand and gas prices
- Experienced board and management with previous track record of significant shareholder value creation in the energy sector

Armour's Project Targets

- Complete Phase 3 of Kincora Growth Strategy = increase gas production and sales, plus liquids and LPG in 2019
- Execute Farm-in partner/s agreements for ongoing exploration and develop of Northern Australian Assets
- Continue appraisal and exploration strategy to target over 1 TCF gas and liquids in the Surat Basin
- Continued exploration of Uganda Oil Project

For further information contact:

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- Richard Aden – Chief Financial Officer

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