



# QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDED 30 September 2019

## HIGHLIGHTS

- Binding Term Sheet agreed with Santos QNT Limited for Farm-in by Santos into Armour's South Nicholson Basin oil and gas exploration project in Northern Australia (as announced 15 October 2019)
- Kincora Project – Drilling commenced on 2 well development program
- Average gas production of 7.2 TJ/day
- Kincora Project – Quarterly revenue \$6.0 million
- Private Placement completed to raise \$4.0 million

**CAPITAL STRUCTURE**  
as at 30 September 2019

**SHARES ON ISSUE**  
589,437,570

**MARKET CAPITALISATION<sup>1</sup>**  
\$33.0 million (at 5.6 cents per share)  
(1. undiluted for options)

**DIRECTORS**  
Nicholas Mather (Chairman)  
Stephen Bizzell  
Roland Sleeman  
Eytan Uliel

**CHIEF EXECUTIVE**  
Roger Cressey (Resigned)  
Richard Fenton (commenced  
23 October 2019)

**COMPANY SECRETARY**  
Karl Schlobohm

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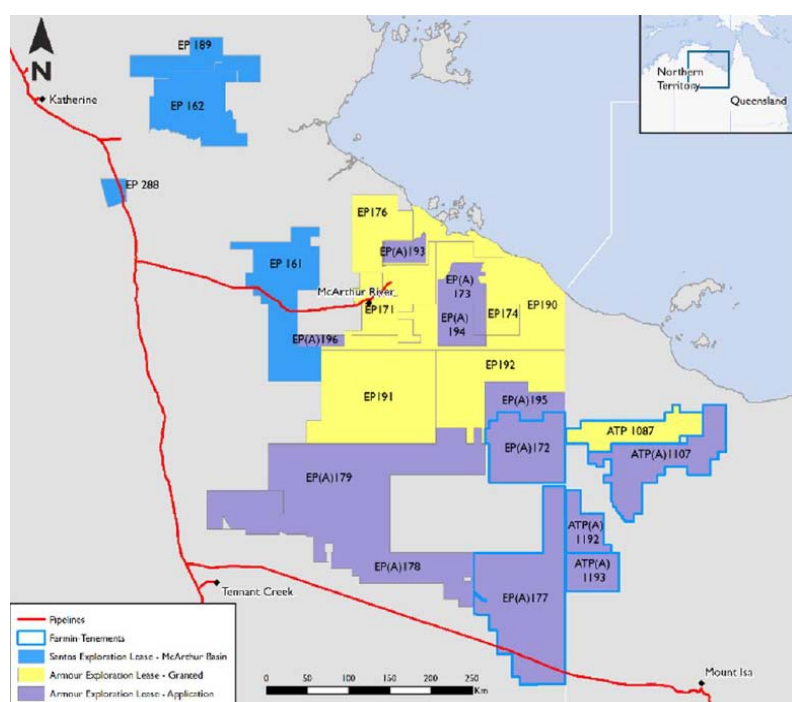
## Overview

Armour Energy Limited (the **Company**) has progressed with its substantial work program which will be undertaken during the course of the remainder of 2019. The Company's 2019 work program is targeting an increase in liquid rich gas production and revenue, as outlined below. Updates on work program activities will be released to the market periodically and as the activities are completed.

## Santos QNT Limited for Farm-in

As announced on 15 October 2019, a Binding Term Sheet has been agreed with Santos QNT Limited for Farm-in by Santos into Armour's South Nicholson Basin oil and gas exploration project. Under the Binding Term Sheet, Santos will pay Armour \$15 million in cash within 10 days of execution of the formal Farm-in Agreement, and further cash payments of up to \$15 million will be payable by Santos, subject to certain conditions being satisfied with respect to the application tenements.

Additionally Santos will carry 100% of Armour's share of expenditure for the work programs within the Farm-in Tenements up to a combined total expenditure of \$A65million. Armour will transfer a 70% working interest and operatorship of the Farm-in Tenements to Santos on a phased approach, commencing with ATP1087 as the immediate exploration target.



**Figure 1 - Map showing the Farm-in Tenements within the blue border**

(Armour's other 100% owned tenements not subject to the farm-in are the yellow and purple shaded tenements outside the blue border)

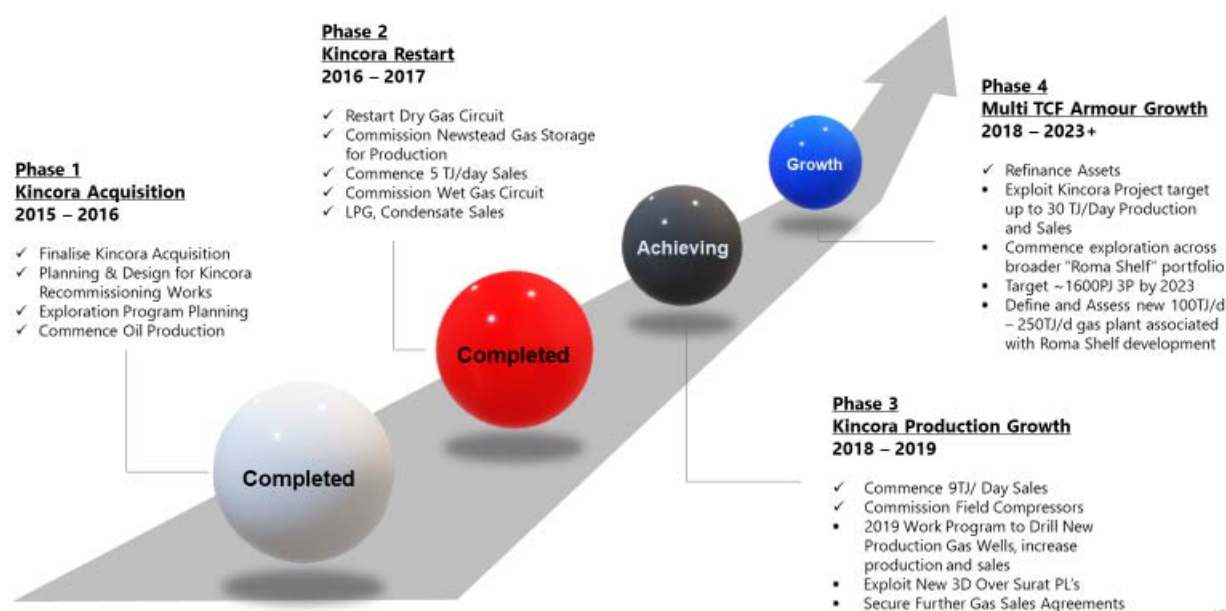
Interest and operation of the remaining Farm-in Tenements will be transferred to Santos subject to the formal granting of tenure by the Queensland and Northern Territory Governments. Under the Binding Term Sheet, Armour and Santos will work towards the execution of then Tenements will be transferred to Santos subject to the formal granting of tenure by the Queensland and Northern Territory Governments. Under the Binding Term Sheet, Armour and Santos have made good progress towards the execution of the Farm-in Agreement and the parties intend to enter into a Joint Operating Agreement within 3 months.

## Kincora Project – Phase 3 Continues

### Kincora Project

In line with the company's Roma Shelf Growth Strategy (**Figure 2**), the Company delivers gas to the Eastern Australian market from its Kincora Gas Project (see **Figure 3**). The gas from the Company's production leases is processed through its Kincora Gas Plant and delivered to the Eastern Australian Gas Market market via Wallumbilla.

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



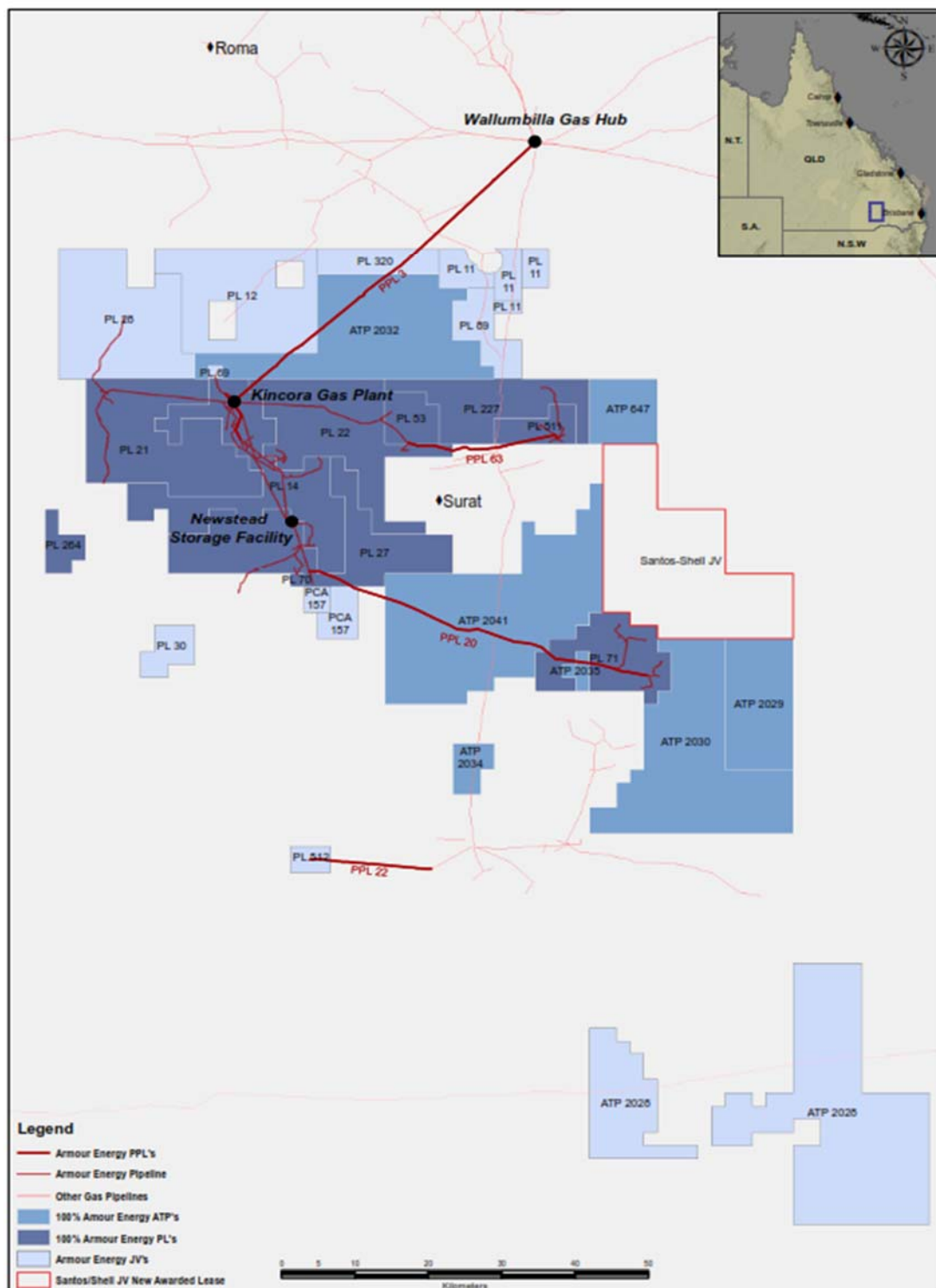
**Figure 2: The Company's 4 Phase Growth Strategy**

### 2019 Work Program

The 2019 Work Program has been designed to increase gas production through the Kincora plant following a robust technical evaluation of the various elements to add production growth through existing infrastructure.

The 2019 work program aligns to Phase 3 of the company's Roma Shelf Growth Strategy. A Work Program for 2020 is being finalised by Management with the objective of increasing both oil and gas production from the existing fields as well as commencing exploration activities across the Company's broader portfolio of Authorities to Prospect (ATPs) on the Roma Shelf.

Updates will be provided to the market as the 2019 and 2020 Work Programs progress.



**Figure 3: Map showing the Company's Roma Shelf, Surat Basin Kincora Project Acreage**

## Drilling and Development Activities

As announced on 19 August 2019, the Company entered into a contract for the drilling of two development wells for the Company's 100% owned Kincora Gas Project, being of Myall Creek North #1 (**MCN1**), and Horseshoe 4 (**HS4**).

The 2019 development work program has targeted drilling locations that aim to assess both the conventional and tight gas potential of the demonstrated working hydrocarbon system in the regional Permian and Triassic reservoirs in the prolific Myall Creek Field.

On 23 September 2019, the Company announced the commencement of drilling of MCN1, marking the start of the company's 2019 development drilling Work Program.

MCN1 is located in the Company's 100% owned PL511 within the Company's Kincora Project on the Roma Shelf in south west Queensland (**Figure 3**). Silver City Drilling Rig 20 was contracted to drill the well to a prognosed 2,270 metres total vertical depth (**Photo 1**).

Both MCN1 and HS4 will be tied into the Kincora Gas Plant for commercial production at the earliest opportunity. The Company has already procured the majority of the long-lead items for the installation and connection of these two wells.

Additionally, a workover campaign to optimise and increase production from existing wells, including the hydraulic stimulation of Myall Creek 5A, has been initiated. These activities are planned to be completed before the end of this year.



**Photo 1 - Silver City Drilling Rig 20, Myall Creek North 1 Location**

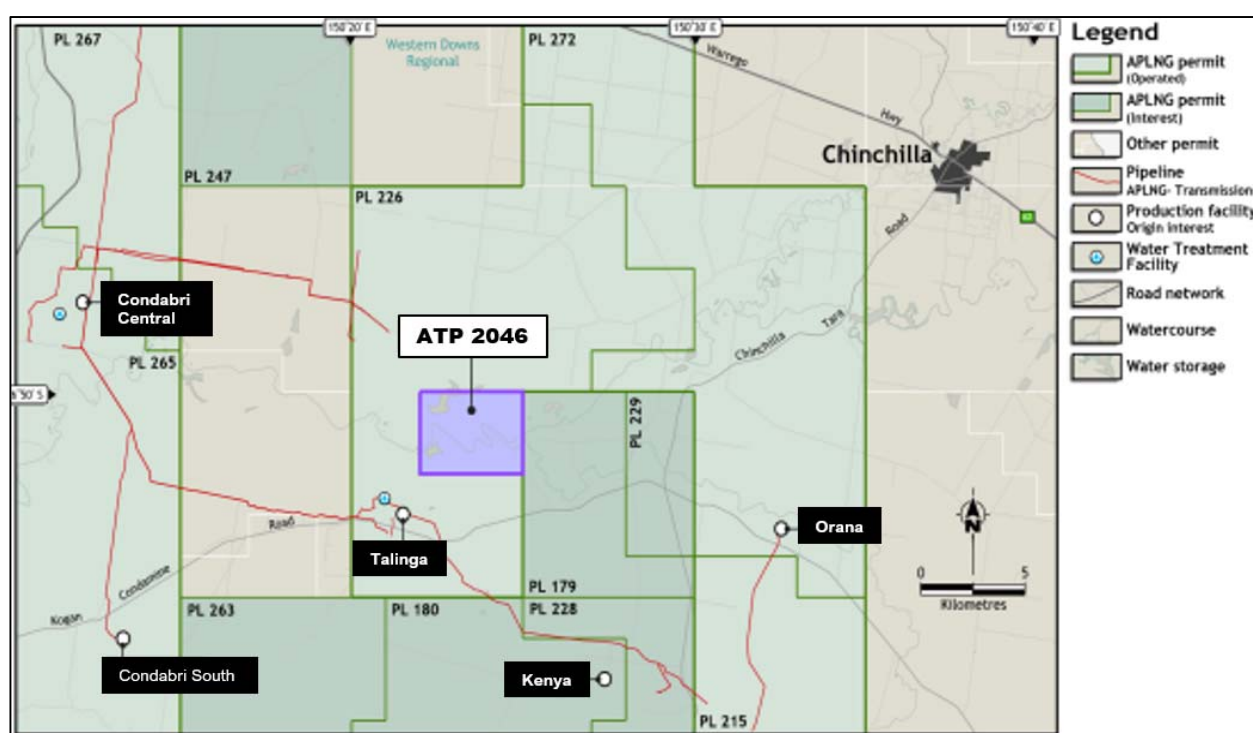


## Exploration Activities

### Murrungama Gas Project, Authority to Prospect No. 2046 (ATP2046) – Armour 10%

On 18 July 2019, the Company advised that the Queensland Department of Natural Resources, Mines and Energy (**DNRME**) had formally awarded ATP2046 to a joint venture between the Company (10%) and Australia Pacific LNG Pty Ltd<sup>1</sup> (**APLNG**) (90% and Operator) (**Joint Venture**) – see **Figure 4**.

The ATP was part of the first national tender where gas has been designated to be supplied exclusively to Australian domestic manufacturers, an initiative by the Queensland Government.



**Figure 4 – Location of ATP2046**

ATP2046 is an 18km<sup>2</sup> coal seam exploration tenure located 22km south-west of Chinchilla and adjoins APLNG's Talinga Project, through which produced gas and water will be processed. ATP2046 is surrounded by currently producing CSG fields and is anticipated to likely have similar sweet-spot reservoir properties and production as the Talinga Gas Field.

The Joint Venture currently expects that production from ATP2046 will commence in mid-2021 and work is progressing on plans for its development.

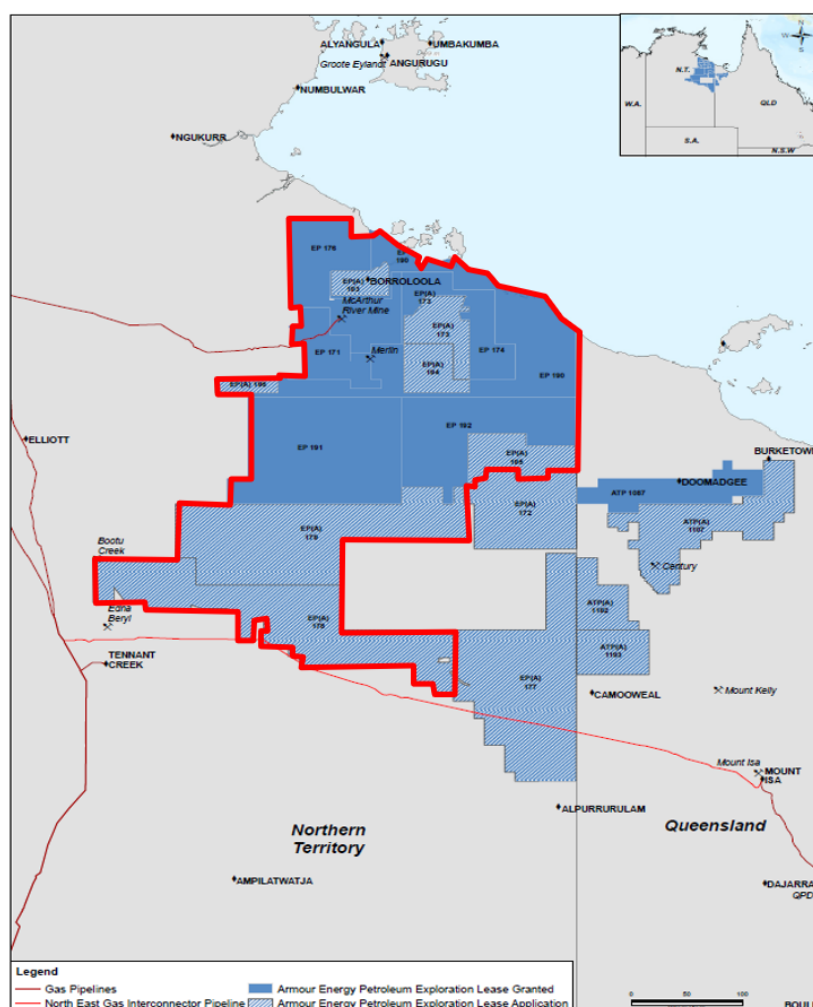
<sup>1</sup> APLNG is a joint venture between ConocoPhillips Australia (37.5%), Origin Energy Limited (37.5%) and Sinopec (25%).

## North Queensland and the Northern Territory

The Northern Territory Government last year lifted its three-year moratorium on exploration fracking for onshore shale and adopted the 135 recommendations that were recommended by the Fracking Inquiry and is in the process of revising the relevant legislation. Following this outcome, the Company has developed revised work programs for its tenements in the Northern Territory and is working with the Northern Territory Government and the Northern Land Council to establish ongoing exploration and development activities.

As noted, some of the North Queensland and Northern Territory tenements of Armour are subject to the Binding Term Sheet between Armour Energy Limited and Santos QNT Pty Ltd.

Armour will continue the exploration of the remaining exploration tenure in the Northern Territory, associated with the McArthur and Glyde Basins as per **Figure 5**.



**Figure 5 – Armour Energy Glyde McArthur Project Area**  
(100% Armour Energy Tenure highlighted by the red outline)

### **Uganda Project (~17% interest)**

The project is located within the Albertine Graben which has recorded discoveries of 6.5 billion bbls of oil in place. The Company was awarded the Kanywataba exploration licence in September 2017 and DGR Global has 83% beneficial interest and the Company has 17%. The exploration licence included the requirement to complete a 2D seismic survey by 13 September 2019 (First Term). Due to a series of delays beyond the control of the Company, the Company commenced but was unable to complete the 2D seismic survey within the First Term.

On 13 September 2019, the exploration licence was renewed for a further two years (until 13 September 2021)(Second Term), subject to various conditions, including completion of the 2D seismic data survey during the Second Term of the licence.

The Company will announce further details on this project as they come to hand.

The Company has identified multiple developed (untested) on-trend structural traps (3-way and 4-way dip closures) and multiple untested stratigraphic traps. The Kingfisher oil discovery (40km north east of Kanywataba) has produced from commingled oil reservoirs 12,000 bbls/day from a single well with the field expected to come online at 40,000bbls/day once in production.

Local oil seeps confirm local working petroleum system. The Company's internal assessment of the Kanywataba block is a Resource Best Estimate Risked 57-193 mmbls recoverable which compare to the Unrisked Prospective Oil Resource Estimate (mmbls) of 145-217mmbls (Internal Armour Estimate; refer ASX release of 19 September 2017 for full details)

### **Kincora Project – Revenue Update**

During the September 2019 quarter, production and sales were impacted by an outage to the C101 compressor which resulted in reduced daily production rates due to the LPG gas circuit of the Kincora Gas Plant being down for a period of 26 days. During this period, the Company was able to continue at a reduced production rate from the Newstead Gas Storage facility and select Kincora wells. The Company was also able to successfully complete a significant amount of maintenance work which was planned to be undertaken in the future. The Kincora plant returned to full operations on 27 August 2019.

Gas sales (and production) for the quarter averaged 7.2 TJ/day, including gas from the Newstead Storage facility, which represents a decrease of 1.9 TJ/day (or 21%) of gas sales (and production) from the previous quarter of 9.1 TJ/day. After normalisation to account for the period of downtime of 26 days, gas sales for the quarter averaged 8.6 TJ/day, which represents a decrease of 0.5 TJ/day (or 5%) of gas sales (and production) from the previous quarter. In addition to this, the Company also produced condensate at approximately 115bbls/day and LPG at approximately 9 tonnes/day.



	Sept Quarter Q1 FY20
Revenue* (\$ million)	6.0
Average Gas production per day per quarter (TJ/day)	7.2
<i>Normalised average Gas Production per quarter (TJ/day)**</i>	8.6
Average LPG production per day for the quarter (Tonnes/day)	8.6
<i>Normalised average LPG production per day for the quarter (Tonnes/day)</i>	11.63
Average Oil/Condensate production per day for the quarter (bbl/day)	34

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

\*\* Average gas production normalised to exclude the 26 day period of downtime of the LPG circuit of the Kincora Gas Plant

The Company continues to strive towards a target of up to 20TJ/day through the completion of the 2019 and 2020 Work Program.

## Private Placement Completed

On 23 September 2019, the Company announced that it has successfully closed a private placement raising gross proceeds of \$4 million via an allocation of 80 million shares at a price of 5 cents each. Investors received one (1) unlisted option exercisable at 8 cents (through to 30 September 2023) for every two (2) shares subscribed for in the placement.

The Company proposes to undertake an entitlement offer to existing shareholders, and will release full details in due course.

The net proceeds from the private placement and the proposed entitlement offer will be used by the Company to progress its Kincora Project work programs and for general working capital purposes.

## Corporate Activities

For the September 2019 Quarter, the Company reported receipts from customers on a cash basis of \$6.0 million, compared to \$7.9 million in the last quarter. The reduction in revenue was due to the unscheduled plant shut down noted above. Production rates averaged 7.2TJ/day. The Company is looking to increase the production base from next quarter in line with its Phase 3 and Phase 4 strategic growth targets.

## Resignation of CEO

On 24 July 2019, the Board of Directors advised that Mr Roger Cressey tendered his resignation as Chief Executive Officer of Armour Energy Limited. After being with the Company for 8 years, Mr Cressey will cease employment with the Company on 23 October 2019.

On the 24<sup>th</sup> October 2019, Armour Energy announced the appointment of Mr Richard Fenton as Interim CEO. Mr Fenton was formerly Armour's General Manager, Corporate Affairs and is currently an Executive Consultant of Advisian, the global consulting business of the Worley Group. Mr Fenton will be contracted to the Company whilst the Board continues its review of identified candidates for the full-time CEO role.

## Investor Relations

During the quarter, the Company presented at the:

- Noosa Mining & Exploration Investor Conference (Jul 2019); and
- South East Asia Australia Offshore & Onshore Conference (SEAAOC) Conference in Darwin (Sep 2019).

A copy of the presentations can be found at <https://www.armourenergy.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 Resources 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 and 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%
PL2018-1B* (now ATP2046)	Queensland	Armour Energy Ltd (JV with APLNG)	10%
ATP 1087	Queensland	Armour Energy Ltd	100%
EP 171	Northern Territory	Armour Energy Ltd	100%
EP 174	Northern Territory	Armour Energy Ltd	100%



TYPE	LOCATION	OWNER	INTEREST
EP 176	Northern Territory	Armour Energy Ltd	100%
EP 190	Northern Territory	Armour Energy Ltd	100%
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%

\*This was formally awarded as ATP2046 on 18<sup>th</sup> July 2018.

**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**