



QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDED 31 December 2019

HIGHLIGHTS

- Initial cash payment of \$A15 million received pursuant to the Farm-in Agreement with Santos for Armour's South Nicholson Basin Project.
- Significant project work completed setting the foundation for improved production in 2020:
 - Myall Creek #5A Well commenced flowback operations on 22 December 2019 with initial flow rates of 2.37 mmscf/day building to a gas flow rate of 4.23mmscf/d with 132bbl/d of condensate on 6 January 2020;
 - Horseshoe #4 Well drilling completed on 12 November 2019. Initial flow rates, based on a 1-hour, flow-to-flare test, recorded 1.34mmscf/d of gas and associated condensate production as announce on 17 January 2020; and
 - Myall Creek North #1 drilling completed, with completion operations expected to be completed during February 2020.
- Planning for the 2020 drill and work program currently underway.
- Kincora Project – Quarterly sales revenue \$7.1 million.
- Average gas production of 7.5 TJ/day.

CAPITAL STRUCTURE

as at 31 December 2019

SHARES ON ISSUE

590,601,954

MARKET CAPITALISATION¹

\$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

Richard Fenton (commenced
23 October 2019)

COMPANY SECRETARY

Karl Schlobohm

CONTACT DETAILS

Level 27, 111 Eagle Street
Brisbane Qld 4000
Tel: +61 7 3303 0620
Fax: +61 7 3303 0681

POSTAL ADDRESS

GPO Box 5261
Brisbane Qld 4001

ASX CODE: AJQ



Overview

Armour Energy Limited (the **Company**) continued to progress its 2019 work program during the quarter ended 31 December 2019. The Company's 2019 work program targets an increase in liquid rich gas production and revenue. Updates on work program activities have been released to the market periodically, and will continue to be released to the market as the activities are finalised in early 2020.

South Nicholson Basin Farmin Agreement

As announced on 4 December 2019, the South Nicholson Basin Farmin Agreement between the Company and Santos QNT Limited (**Santos**) was executed during the Quarter. A summary of the key terms include:

- An initial cash payment of \$A15 million, for the transfer of a 70% interest and operatorship of ATP1087 to Santos, was received within 5 business days of execution of the Farmin Agreement;
- Under the Farmin Agreement, Santos has the right to earn a 70% interest in Armour's North Queensland tenements, being ATP1087 (granted), and ATP1107, ATP1192 and ATP1193 (applications), and the Northern Territory tenements EP172 and EP177, both of which are also in the application phase;
- the Company may receive further cash payments of up to A\$15 million in total (being A\$3 million following the formal grant by the Queensland and Northern Territory Government up to 5 additional tenements which are currently at application stage (**Farmin Permits**), and Santos may acquire a 70% and operated interest in the Farmin Permits, if further conditions are satisfied such as: the granting of the Farmin Permits, Santos accepting the conditions of the Farmin Permits and any Key Agreements (being land access and Native Title agreements) relating to those Farmin Permits; and
- In respect to ATP1107, Santos' farmin obligations include to make to Armour the transfer payment of A\$3 million (as reimbursement for the total costs already incurred on the South Nicholson Project) (the Transfer Payment), and to accept their 70% interest in this specific tenure is subject to the formal granting of the tenure to Armour by the Queensland Government; and Santos in its complete discretion, confirming to Armour in writing within 60 days of the grant of the tenement that the permit conditions and relevant Key Agreements are acceptable to Santos.

Subject to satisfaction or waiver of the conditions outlined above, Santos will free carry 100% of Armour's share of expenditure for the various work programs for all of the Farmin Permits up to a Total Capped Amount of A\$64,900,000 (inclusive of the A\$12.5 million work program associated with ATP1087). However, Santos may exercise its withdrawal rights which will reduce the Total Capped Amount.

Minimum work commitments on a specific Farmin Permit which are not covered by Santos' expenditure commitments under the farmin work program, will be carried out as joint operations under a joint operating agreement to be entered into respect of each tenure and funded by the parties in proportion to their respective participating interests.

The remainder of the Company's Northern Territory exploration portfolio is not subject to, or affected by, this Farmin Agreement. During 2020, the Company will be marketing other potential farmin opportunities covering other Northern Territory exploration projects within the portfolio.

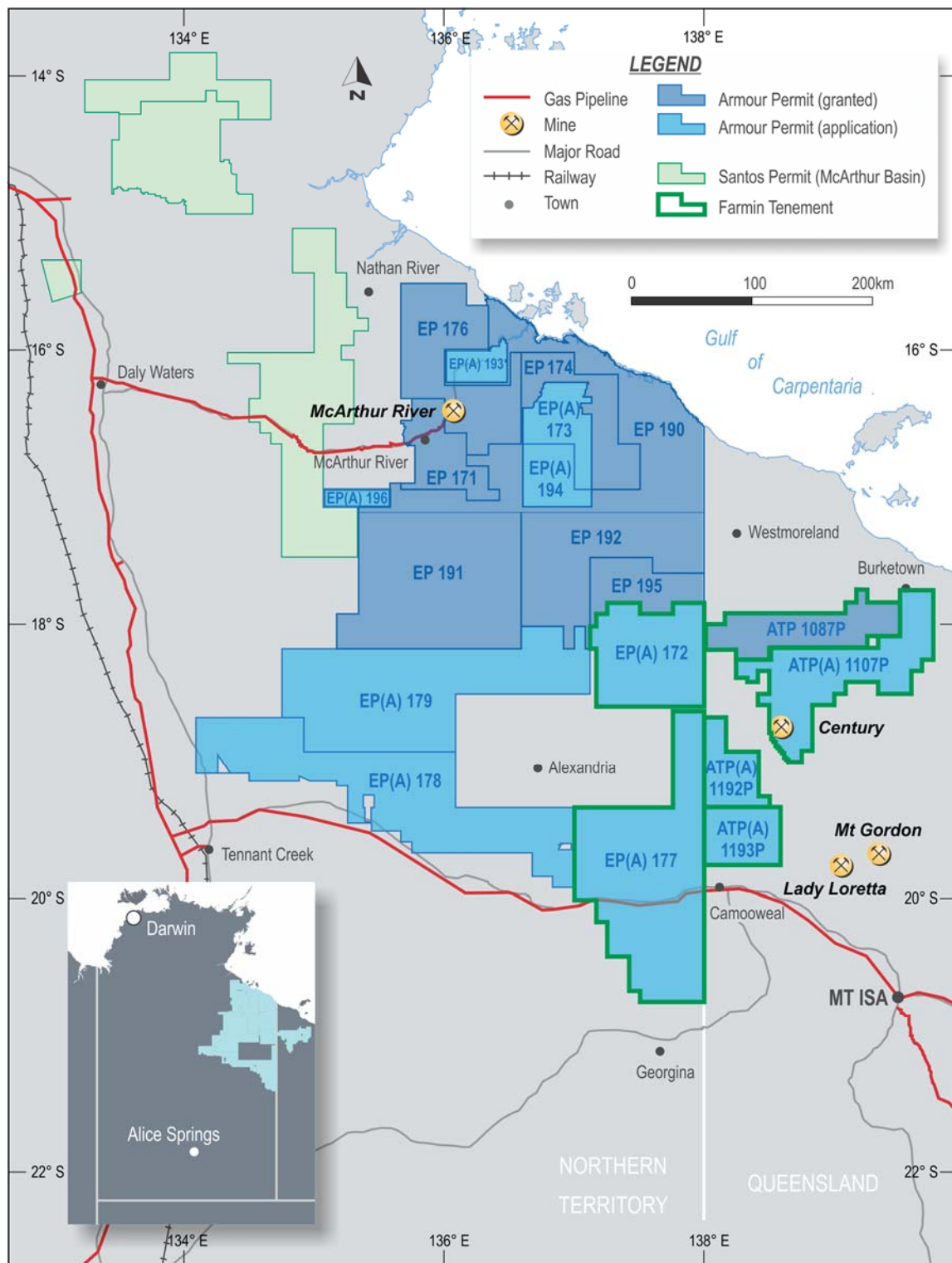


Figure 1 - Map showing the Farmin permits within the green border

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

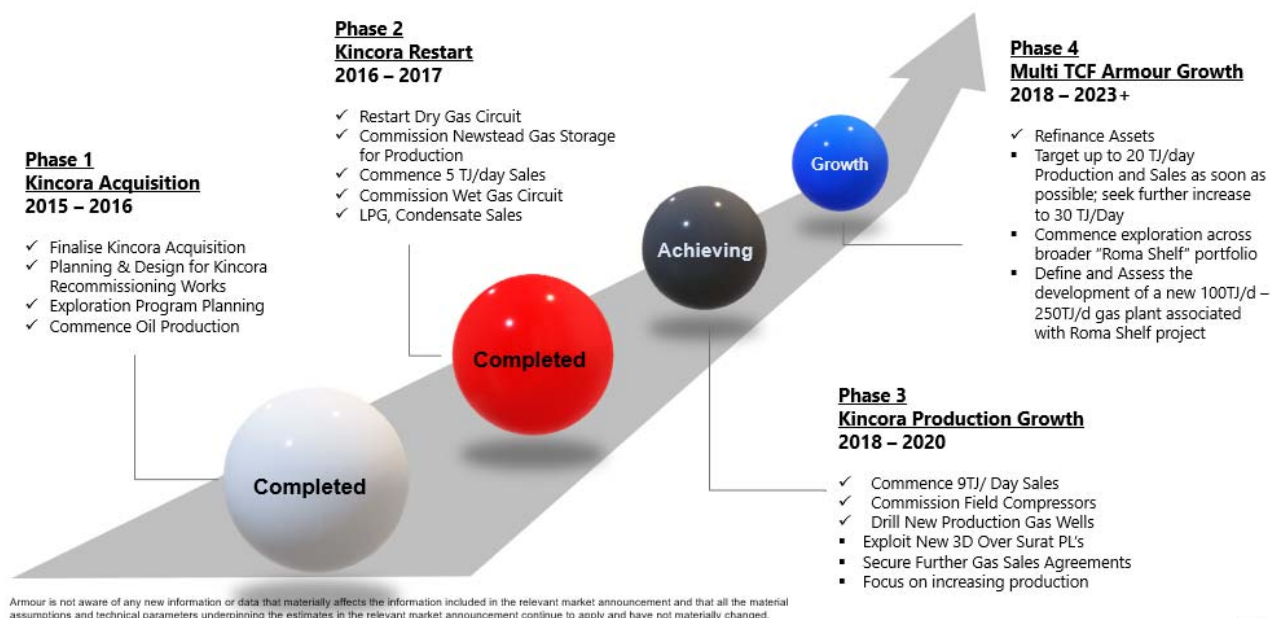


Figure 2: The Company's 4 Phase Growth Strategy

2019 Work Program

The 2019 work program supports Phase 3 of the company's Roma Shelf Growth Strategy. The 2019 Work program was designed to increase gas production through the Kincora plant. Through this work program, Armour continued to focus on three wells: Myall Creek #5A, Myall Creek North #1 and Horseshoe #4.

A work program for 2020 is being finalised by management with the objective of increasing both oil and gas production from the existing fields. In addition exploration activities across the Company's broader portfolio of Authorities to Prospect (ATP) on the Roma Shelf have continued.

Updates will be provided to the market as the 2019 work program is finalised in February 2020, and as the 2020 work program progresses.

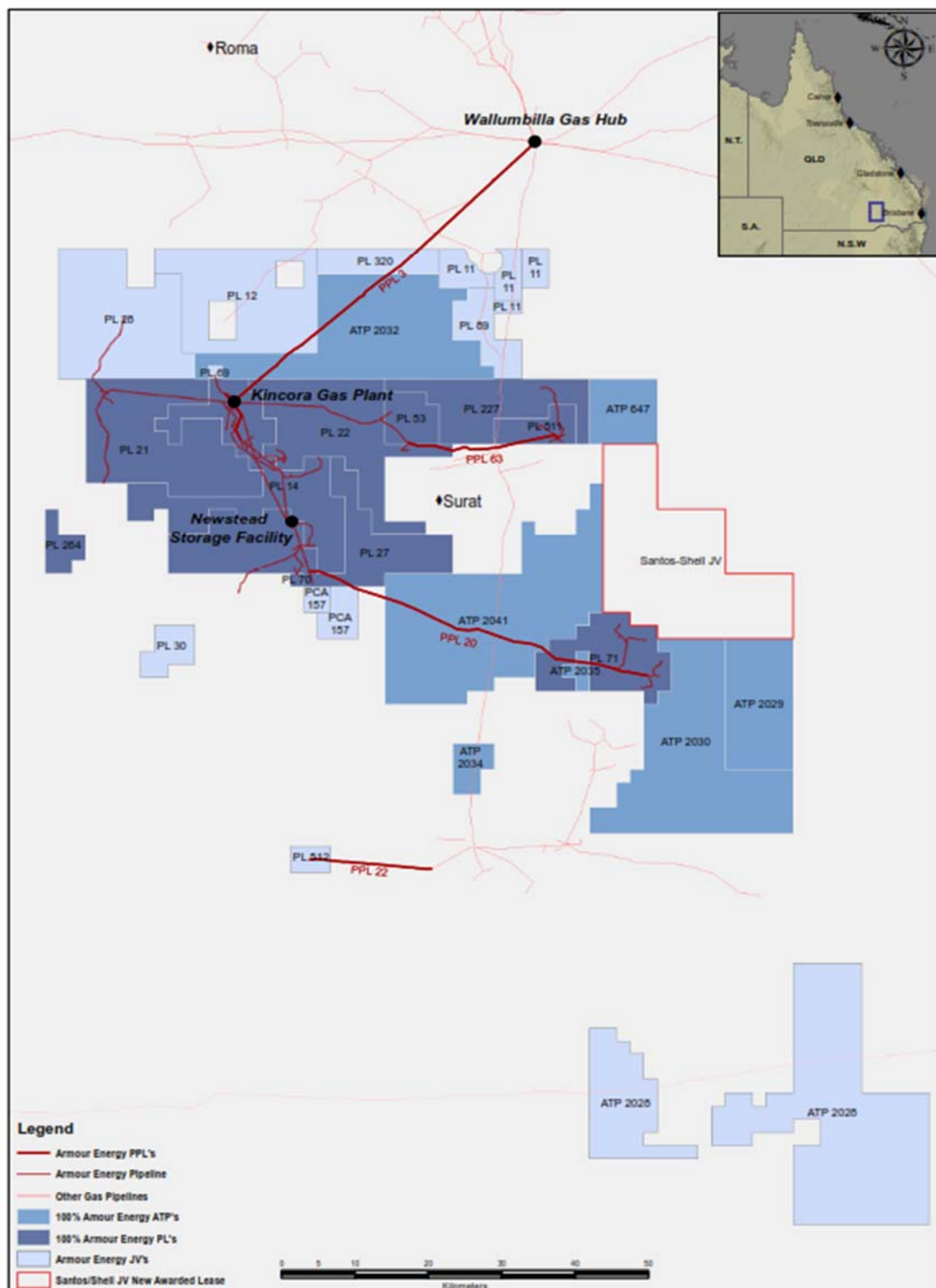


Figure 3: Map showing the Company's Roma Shelf, Surat Basin Kincora Project Acreage

Drilling and Development Activities

The 2019 development work program targeted two (2) drilling locations to exploit 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.

The two targets, **Myall Creek North #1 (MCN#1)** and **Horseshoe #4 (HS#4)**, are in the process of being completed and tested. MCN#1 and HS#4 has already been tied into the existing gas pipeline network to allow gas resulting from flow testing to be supplied into the Kincora Gas Plant, and in anticipation of commercial production. Whilst the intention of Armour was to have both MCN#1 and HS#4 completed by the end of 2019, the program was delayed due to the limited availability of workover rigs and contractors, in addition to legislation restricting the movement of oversized heavy vehicles on public roads between 24 December 2019 and 2 January 2020.

The works remaining to be completed during January and February 2020 include:

- The workover and testing of **MCN#1**; and
- Completion and testing of **HS#4**.

The stimulation has been successfully completed on **Myall Creek #5A (MC #5A)**. During December 2020 Armour completed work on this well, including installation of the well's production string. Flowback operations commenced during the week commencing 16 December 2019 and as announced to the ASX on 24 December 2020, the well commenced production at a rate of 2.37MMscf/d, increasing to a flow rate of 4.32MMscf/d and 132bbld of condensate from the well by 6 January 2020.

A workover campaign to optimise and increase production from existing wells which Armour has recently recommissioned have collectively added initial production rates up to 0.5TJ/d (Riverside #1 (0.1TJ/d), Parknook #2 (0.2TJ/d) and Kungarri #1 (0.2TJ/d).

Further, workover activities were undertaken on Myall Creek #4A, which was drilled in 2018. Subsequent to the workover, the well recommenced production at an initial flow rate of 0.6 TJ/d.

Armour intends to undertake workover activity and test the production potential of four historic oil wells in January 2020.

2020 Work Program

The Company is currently planning for the execution of the 2020 production program. Long lead items and land access agreements are in the process of being finalised. The total number of wells and targets for the 2020 well program remains subject to optimisation and budget reviews.



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 the Company (10%) and Australia Pacific LNG Pty Ltd¹ (**APLNG**) (90% and Operator) following the DNRME's acceptance of a joint bid made by the Company and APLNG.– see **Figure 4**.

ATP2046 is an 18km² 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 reservoir properties and production as the Talinga Gas Field.

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.

Under a Joint Bidding Agreement between the Company and APLNG, a Joint Venture will be formed for the development of the project. The Company continues to progress with plans for its development.

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

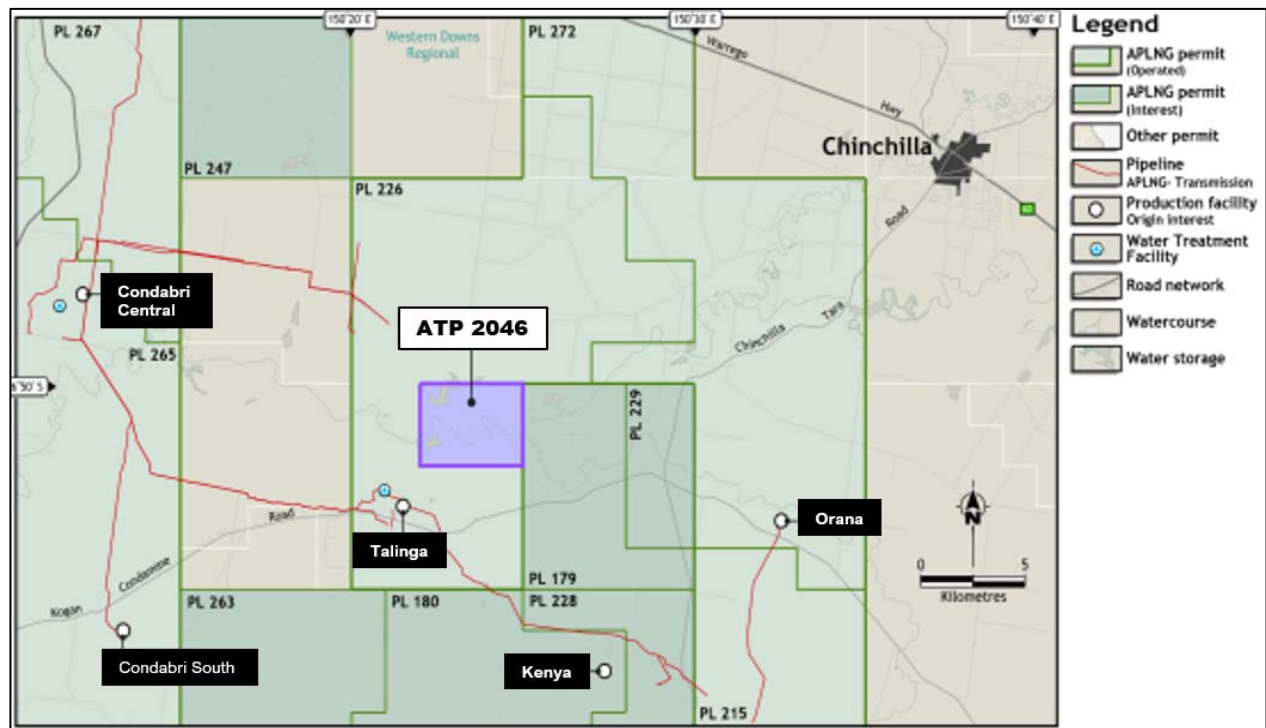


Figure 4 – Location of ATP2046

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 previously noted, the Company will be marketing other farmin opportunity covering its McArthur and Glyde Basins tenements per **Figure 5**.

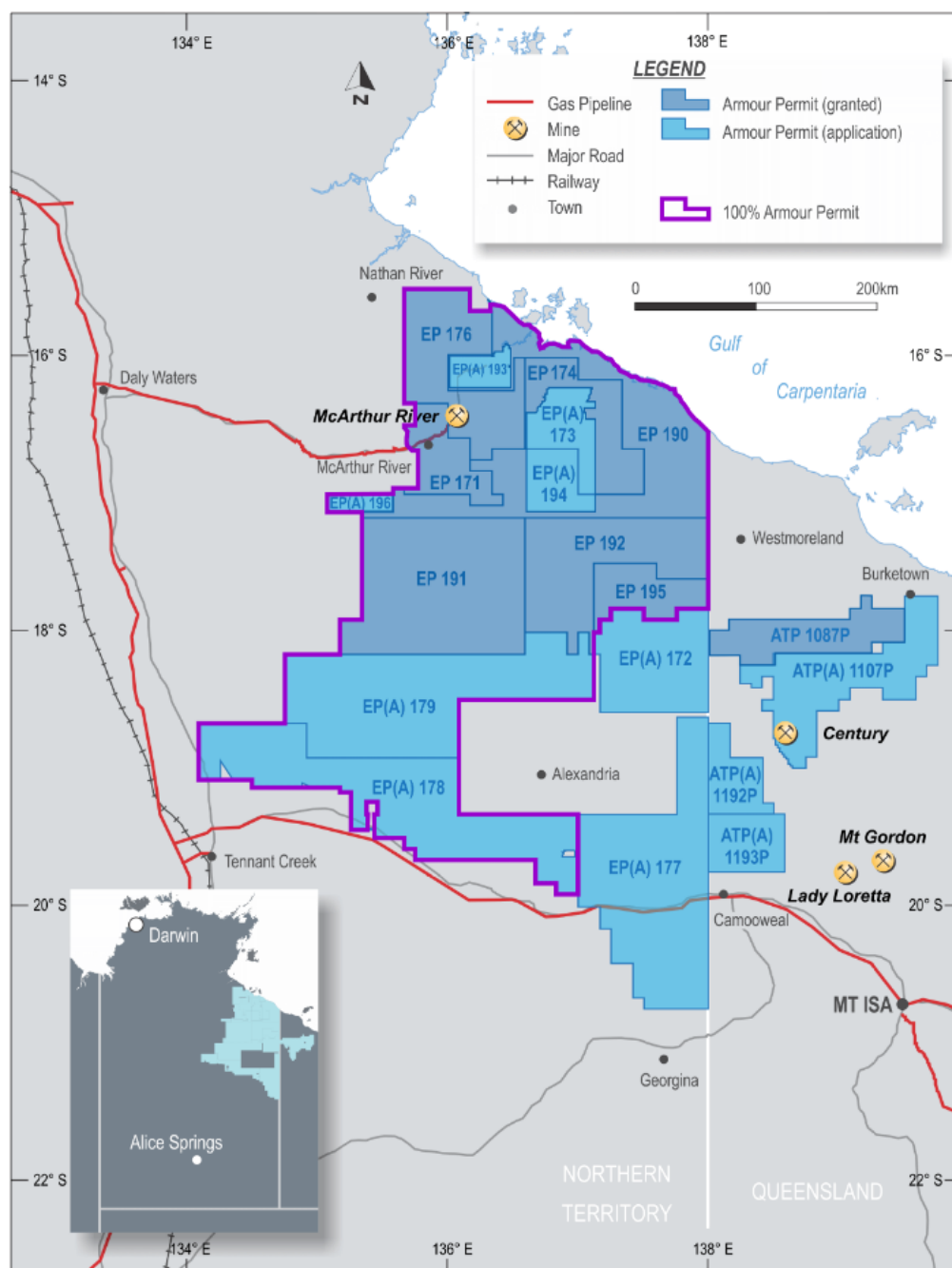


Figure 5 – Armour Energy Glyde McArthur Project Area
(100% Armour Energy Tenure highlighted by the purple outline)

Uganda Oil Project (~17% interest)

The Uganda Oil 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 83.18% beneficial interest and the Company has 16.82%.

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 a 2D seismic data survey.

The Company has identified multiple developed (untested) on-trend structural traps (3-way and 4-way dip closures) and multiple untested stratigraphic traps.

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

Kincora Project – Revenue Update

During the December 2019 quarter, production was impacted due to planned works within the plant, including the commissioning of FC06 compressor which underwent a full rebuild, project completion works and APA planned maintenance work on Wallumbilla Run 2. Unplanned impacts related to line and plant pressure also impacted production results for the quarter ended.

In December, domestic gas prices fell considerably. As a result, a contracted customer declined gas under the Company's secondary sale contract which resulted in Armour selling volumes on the spot market at an average price less than the contracted price.

Gas sales (and production) for the quarter averaged 7.5 TJ/day, which represents a slight increase in comparison to the previous quarter of 7.2 TJ/day. In addition to this, the Company also produced condensate at approximately 143 bbls/day and LPG at approximately 11.3 tonnes/day (in comparison to the September quarter of 115 bbls/day and LPG at approximately 9 tonnes/day).

	Dec Quarter Q2 FY20
Revenue* (\$ million)	7.1
Average Gas production per day per quarter (TJ/day)	7.5
Average LPG production per day for the quarter (Tonnes/day)	11.3
Average Oil/Condensate production per day for the quarter (bbl/day)	143

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

Corporate Activities

For the December 2019 Quarter, the Company reported receipts from customers on a cash basis of \$7 million, (as detailed above) compared to \$6 million in the last quarter.

With a successful completion of the 2019 Work Program in January 2020, and the execution of the 2020 Work program as planned, the Company is looking to increase the production base, in line with its Phase 3 and Phase 4 strategic growth targets.

Appointment of Interim CEO

On 24 October 2019, Armour 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 is contracted to the Company whilst the Board continues its review of identified candidates for the full-time CEO role.

Annual General Meeting

The Annual General Meeting was held on 26 November 2019. The results of the meeting are detailed per the ASX Announcement dated 26 November 2019. A copy of the CEO Address and Presentation to AGM was also published via an ASX Announcement on that date.

Investor Relations

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

Corporate Calendar - 2020

The Company wishes to advise that it has published a CY2020 calendar of key dates which include the expected release of financial results and the date for the Company's 2020 AGM, amongst other things.

The calendar is available in the Investor Centre section of the Company's website.



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%
ATP2046	Queensland	Armour Energy Ltd (JV with APLNG)	10%
ATP 1087	Queensland	Armour Energy Ltd	30%*
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%

*Refer to South Nicholson Basin Farmin Agreement section of this announcement

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