



QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2017

HIGHLIGHTS

- **Kincora Project – First quarter of gas sales**
- **Kincora Project – LPG system successfully recommissioned at the end of the quarter, Kincora Gas Plant is now fully operational**
- **Kincora Exploration – Armour awarded further Roma Shelf petroleum acreage near its Kincora production facilities**
- **Kincora Production – Planning and approvals progressing to enable new appraisal and production wells to be drilled in 2018**
- **Capital Raising Update**
 - **Completion of Entitlement Offer, successfully raising \$4.25 million**
 - **Further placement to raise \$1 million completed during the quarter**
 - **Condition for MH Carnegie further \$5 million convertible note subscription met before the end of the quarter**
- **Board appointment of Eytan Uliel**

ASX CODE: AJQ

CAPITAL STRUCTURE - 25 January 2018

SHARES ON ISSUE

405,175,941

CONVERTIBLE NOTES ON ISSUE

374,246,404

MARKET CAPITALISATION¹

\$36.5m (at 9 cents per share)

(1. undiluted for options and convertible notes)

DIRECTORS

Nicholas Mather (Chairman)

William Stubbs

Roland Sleeman

Stephen Bizzell

Matthew Beach

Eytan Uliel

CHIEF EXECUTIVE

Roger Cressey

COMPANY SECRETARY

Karl Schlobohm

CONTACT DETAILS

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PROJECT ACTIVITIES

Kincora Project – First Quarter of Gas Sales

The December 2017 quarter was Armour’s first quarter of gas sales, with gas being produced predominately from the Newstead Gas Storage Facility. Oil sales continued during the quarter from the Emu Apple facility.

Sales	December Quarter, Q2 2018	September Quarter, Q1 2018	Quarter on Quarter Movement	Half Year, H1 2018
Sales revenue (\$ million)	\$2.86	\$0.26	\$2.60	\$3.11

Kincora Project - Restart Program Completed

Just prior to the end of December 2017, Armour Energy successfully restarted the LPG circuit of the Kincora Gas Plant (KGP) and now has a fully operational plant. This was an important step for the Company as it continues to de-risk the Kincora project and builds value for stakeholders.

The restart of the LPG circuit included the restart of existing raw gas wells. To date only sixteen existing production wells have been brought back on line, and the Company is gradually bringing all available existing raw gas wells back into production. When all wells are back on line, the Company will have greater flexibility regarding how it chooses to operate the Newstead Gas Storage Facility. Prior to the successful recommissioning the KGP at the end of December, Newstead was the only gas that could be processed for sale. Now with the LPG plant on line, production from the existing raw gas wells plus Newstead gas is expected to provide Armour Energy sufficient production capacity to sell gas, at current market prices, above its contractual commitments under the gas sales agreement with APLNG.

Armour intends to gain a deep understanding of the operational performance capabilities of the KGP and the overall Kincora infrastructure (ie KPG, Newstead Storage Facility, and gas gathering systems) over the coming weeks and months. During this period gas production is expected to vary as we look to optimise performance across for the existing infrastructure.

As advised on 2 January 2018, one section of flowline from the Myall Creek compressor station to Kincora (PPL63) is being operated at flow rates lower than have been historically achieved until further testing can be completed. The Company has run an intelligent pig through that section of flowline to obtain detailed information on its condition and, in particular, the extent of possible corrosion. The report and evaluation of data from the intelligent pig run is pending. If PPL63 is unable to operate at higher flowrates, Armour will investigate options to ensure PPL63 can accommodate increased production rates expected from the Myall Creek field following drilling of new wells as part of the Company’s Phase 2 growth plans.

The final cost for the restart of the KGP and associated infrastructure, including PPL3 and the end of pipeline facility at Wallumbilla is expected to be approximately \$10.0 million. This has exceeded our initial estimate of \$6.9 million for the restart and is attributed to items not foreseen in the original estimate and items that have taken more time and cost than originally estimated. These items include significant changes, imposed on Armour, to the specifications for the relocation and reconstruction of the end of pipeline facilities on Origin's (now Jemena's) ML1A compound at Wallumbilla, corrosion of pipework under cladding and a significant amount of electrical repair and upgrade work required to meet current hazardous area standards.

Kincora Project - Production

The Company has now moved into Phase 2 of its growth strategy and has commenced a number of technical studies on the KGP to provide a clear path to increase production and to obtain a deeper understanding of potential de-bottlenecking opportunities that might be progressed.

The subsurface team has finalised a drilling plan for 2018 and the Company is progressing the necessary planning and approvals necessary, and are currently targeting drilling the first new production well in Q4 FY2018.

Kincora Exploration – Awarded Further Petroleum Acreage

Armour Energy was successful in being awarded petroleum acreage under the Queensland Government competitive tender process. The tender area was PLR2016/2017-1-2 (ATP 2030) on the Roma Shelf, in the Surat Basin, comprising 365km² of highly prospective petroleum ground, and was awarded for nil consideration.

The tender area is contiguous with Armour's PL71 and the Ungabilla block on ATP754 (refer map per **Figure 1** over). Existing production wells and compression facilities on PL71 have been tested and are currently flowing into the KPG. The tender area being immediately adjacent to Armour's PL71 and associated infrastructure means that resources identified on the tender area can be readily connected to Armour's Kincora Gas Plant and thus to market. The Ungabilla block on ATP754 is considered very promising with the Ungabilla 1 well having intersected over 5 metres of overpressured gas-condensate saturated net pay across two reservoir intervals along the perimeter of a large structural high. Gas produced in this region has historically provided an average LPG yield of approximately 2,065 tonnes/petajoule and an average condensate yield of approximately 9,938 barrels/petajoule¹.

¹ Refer ASX Announcement 3 April 2017

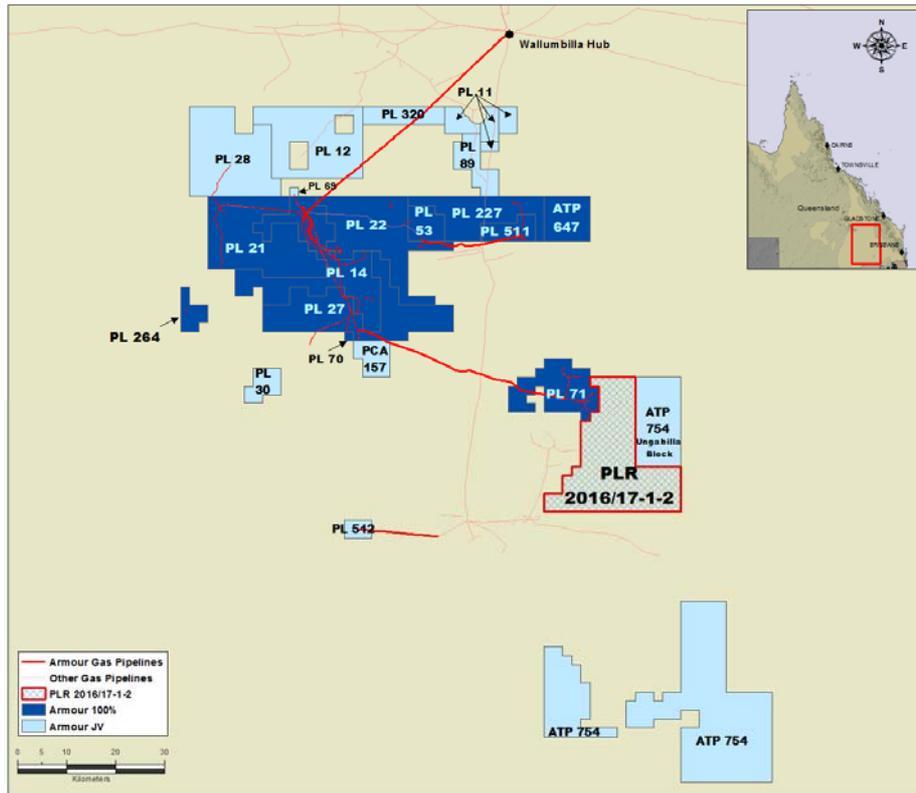


Figure 1: Map showing Armour’s Roma Shelf, Surat Basin leases including tender area PLR2016/2017 - 1 - 2

CORPORATE ACTIVITIES

Capital Raising Program – Update

Entitlement Offer

In October 2017, Armour Energy closed the Entitlement Offer, successfully raising \$4.25m, before fees and costs. The Entitlement Offer was fully underwritten by the lead manager to the capital raising program, Bizzell Capital Partners Pty Ltd, an entity associated with Armour Director, Mr Stephen Bizzell.

Given the strong demand from investors and the opportunity to use additional funds to enable an accelerated ramp-up of the Kincora project gas and liquids production, and also provide funding towards other growth initiatives, the Company decided to undertake a further placement to raise \$1 million before costs on the same terms as the Entitlement Offer at a price of \$0.076 per share.

This additional placement was completed during the quarter.

Convertible Notes

During the quarter, Armour also received further subscriptions for \$780,000 worth of notes.

With shareholder approval having been obtained at the AGM, the restarting of the LPG circuit and the final commissioning of the Kincora Gas Plant before the end of December 2017, all conditions precedent for MH Carnegie & Co's subscription for an additional \$5 million of convertible notes were satisfied during the quarter. The investment from MH Carnegie was received by the Company on 2nd January 2018 and takes their total convertible note investment to \$13.25 million.

With the additional investment from MH Carnegie post quarter end, the aggregate value of convertible notes subscribed for is now \$38.5 million out of the approved convertible note issue size of \$45 million.

Board Appointment

During the quarter, the Board appointed Mr Eytan Uliel as a Non-Executive Director of the Company.

Eytan is an experienced oil and gas industry professional and since 2015, has served as the Commercial Director of Bahamas Petroleum plc (BPC), a UK-listed company with extensive conventional oil exploration acreage offshore in the Bahamas. Prior to working with BPC, from 2009 – 2014 Eytan was Chief Financial Officer and Chief Commercial Officer of Dart Energy Limited, an ASX listed company that had coal bed methane and shale gas assets in Australia, Asia and Europe, and Chief Commercial Officer of its predecessor company, Arrow Energy International Ltd, a Singapore based company that had unconventional gas assets primarily in Asia and Australia.

Eytan holds a Bachelor of Arts (Political Science) and Bachelor of Laws (LLB) degree from the University of New South Wales.



On behalf of the Board
Karl Schlobohm
Company Secretary

COMPETENT PERSONS STATEMENT

Consents

Reported resources are in accordance with the SPE Reserves Auditing Standards and the SPE-PRMS guidelines and 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 oil and gas exploration & production in the US and multiple international basins. Mr Titus meets the requirements of qualified petroleum reserve and resource evaluator as defined in Chapter 19 of the ASX Listing Rules and consents to the inclusion of this information in this release.

SPE-PRMS

Society of Petroleum Engineer's Petroleum Resource Management System - Petroleum resources are the estimated quantities of hydrocarbons naturally occurring on or within the Earth's crust. Resource assessments estimate total quantities in known and yet-to-be discovered accumulations, resources evaluations are focused on those quantities that can potentially be recovered and marketed by commercial projects. A petroleum resources management system provides a consistent approach to estimating petroleum quantities, evaluating development projects, and presenting results within a comprehensive classification framework.

PRMS provides guidelines for the evaluation and reporting of petroleum reserves and resources.

Under PRMS

"Contingent Resources" are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.

The estimated quantities of petroleum that may potentially be recovered by the application of future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Previous reported information on the Contingent Resources in this release related to Armour Energy's Surat Basin PLs and ATPs is based on an independent review conducted by RISC Operations Pty Ltd (RISC) 2015 Independent Technical Specialist Report Roma Shelf dated 30 September 2015 and SRK Consulting (Australasia) Pty Ltd Myall Creek Contingent Resources Report PLs 227 and 511 (19 July 2016) and SRK Consulting (Australasia) Pty Ltd PL 71 Contingent Resources Report- Parknook, Namarah and Warroon area (19 July 2016) and Armour Energy Target Statement dated 7 October 2015 related to Armour Energy's Surat Basin PLs and ATPs is based on the Annexure A - Independent Expert Report review conducted by BDO Corporate Finance (QLD) Ltd and fairly represents the information and supporting documentation reviewed. All the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

Forward Looking Statement

This announcement may contain certain statements and projections provided by or on behalf of Armour Energy Limited (Armour) with respect to the anticipated future undertakings. These forward-looking statements reflect various assumptions by or on behalf of Armour. Accordingly, these statements are subject to significant business, economic and competitive uncertainties and contingencies associated with exploration and/or production which may be beyond the control of Armour which could cause actual results or trends to differ materially, including but not limited to price fluctuations, exploration results, resource estimation, environmental risks, physical risks, legislative and regulatory changes, political risks, project delay or advancement, ability to meet funding requirements, factors relating to property title, native title and aboriginal heritage issues, dependence on key personnel, share price volatility, approvals and cost estimates. Accordingly, there can be no assurance that such statements and projections will be realised.

Armour makes no representations as to the accuracy or completeness of any such statement of projections or that any forecasts will be achieved.

Additionally, Armour makes no representation or warranty, express or implied, in relation to, and no responsibility or liability (whether for negligence, under statute or otherwise) is or will be accepted by Armour or by any of their respective officers, directors, shareholders, partners, employees, or advisers as to or in relation to the accuracy or completeness of the information, statements, opinions or matters (express or implied) arising out of, contained in or derived from this presentation or any omission from this presentation or of any other written or oral information or opinions provided now or in the future to any interested party or its advisers. In furnishing this information, Armour undertakes no obligation to provide any additional or updated information whether as a result of new information, future events or results or otherwise.

Nothing in this material should be construed as either an offer to sell or a solicitation of an offer to buy or sell securities. It does not include all available information and should not be used in isolation as a basis to invest in Armour Energy Limited.

APPENDIX 1

INTERESTS IN TENEMENTS FOR THIS QUARTER

TYPE	LOCATION	NAME	OWNER	INTEREST
ATP 2030	Queensland		AE(SB) P/L	100%
Held Throughout Quarter				
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%
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 11W	Queensland		AE (SB) P/L	46.25%
PL 12W	Queensland		AE (SB) P/L	46.25%
PL 11(SCEE)	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(P)	Queensland		AE (SB) P/L	100%
PL 71(E)	Queensland		AE (SB) P/L	80%
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	69%
ATP 647	Queensland		AE (SB) P/L	100%
ATP 754	Queensland		AE (SB) P/L	50%
PCA 157 (A)	Queensland	Weribone	AE (SB) P/L	50.64%
PCA 157 (A)	Queensland	Bainbilla	AE (SB) P/L	24.748%
EPP 171	Northern Territory	Abner Range	Armour Energy Ltd	100%
EPP 174	Northern Territory	Robinson River 2	Armour Energy Ltd	100%
EPP 176	Northern Territory	Ryans Bend	Armour Energy Ltd	100%
ATP 1087	Queensland	South Nicholson	Armour Energy Ltd	100%
EPP 190	Northern Territory	Calvert	Armour Energy Ltd	100%
EPP 191	Northern Territory	Wallhollow	Armour Energy Ltd	100%

TYPE	LOCATION	NAME	OWNER	INTEREST
Held Throughout Quarter				
EPP 192	Northern Territory	Wollogorang	Armour Energy Ltd	100%
PEP 169	Victoria	Moreys	Lakes Oil NL	51%
PEP 166	Victoria	Holdgate	Lakes Oil NL	25%
PRL2	Victoria		Lakes Oil NL	15%
EL 30817	Northern Territory	Birrindudu	Ripple Resources P/L	100%
EL 30818	Northern Territory	VRD	Ripple Resources P/L	100%
EL 30494	Northern Territory	Statler & Waldorf	Ripple Resources P/L	100%
EPM 19833	Queensland	Bowthorn	Ripple Resources P/L	100%
EPM 19835	Queensland	Shadforth East	Ripple Resources P/L	100%
EPM 19836	Queensland	Shadforth	Ripple Resources P/L	100%
EPM 25504	Queensland	Argyle Creek	Ripple Resources P/L	100%
EPM 25505	Queensland	Border	Ripple Resources P/L	100%
EPM 26018	Queensland	Kola South	Ripple Resources P/L	100%
EPM 26020	Queensland	Inca Creek	Ripple Resources P/L	100%
EPM 26022	Queensland	Yelvertoft	Ripple Resources P/L	100%
EPM 25802	Queensland	Walford East	Ripple Resources P/L	100%
EL 30810	Northern Territory	Sweetums	Ripple Resources P/L	100%
EL 31012	Northern Territory	Carpentaria	Ripple Resources P/L	100%

AE (SB) P/L = Armour Energy (Surat Basin) Pty Ltd

EPM	Exploration Permit - Minerals
EL	Exploration Licence
EPP	Exploration Permit - Petroleum
ATP	Authority to Prospect
PEP	Petroleum Exploration Permit
PL	Petroleum Lease
PPL	Petroleum Pipeline Licence
PRL	Petroleum Retention Lease