



# QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDED 30 JUNE 2017

## ASX CODE: AJQ

## SHARES ON ISSUE

336,015,972

## CONVERTIBLE NOTES ON ISSUE

300,658,818

## MARKET CAPITALISATION<sup>1</sup>

\$26.9m (at 8 cents per share)

(1. undiluted for options and convertible notes)

## DIRECTORS

Nicholas Mather (Chairman)

William Stubbs

Roland Sleeman

Stephen Bizzell

Matthew Beach

## CHIEF EXECUTIVE

Roger Cressey

## COMPANY SECRETARY

Karl Schlobohm

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## HIGHLIGHTS

- **Kincora Project - Restart program continues to advance.**
- **Kincora Project – Pre-emptive rights acquisition re Santos’ interests in Armour-operated assets finalised.**
- **Kincora Project - Armour Acquires QGC’s interest in ATP647.**
- **Kincora Project – Reserves upgraded following demonstration by Armour of the economic viability and commercialisation of the Project.**
- **Kincora Project - Net oil production during the quarter of 3,531bbls and cash revenue of approx \$217,260.**
- **Capital Raising Update – increase in raising initiatives to a revised total of \$50m to facilitate an accelerated ramp up of the Kincora Project gas and liquids production and also provide funding towards other growth initiatives.**

## PROJECT ACTIVITIES

### Kincora Project - Restart Program Advanced

During the quarter Armour continued its consolidated multi-phase Kincora restart program as previously advised to the market. Armour engaged contractors for the Kincora Project Restart works as follows:

- The Kincora Restart Contract has been awarded to Wasco (Australia) Pty Ltd. The scope of work for Wasco includes the inspection, refurbishment as required, testing and re-start of the gas gathering pipelines, field compressor stations and the Kincora Gas Plant.
- The Kincora to Wallumbilla Pipeline (PPL-3) refurbishment and relocation within the ML1A compound at Wallumbilla is being managed by Armour with OSD providing engineering and quality management services and local contractors are providing fabrication and construction services.

The restart works are being sequenced to meet the objectives of the Phase 1 production plan as described below. Supply of gas from the Kincora Project to the east coast market is planned as follows:

- Phase 1 involves commencement of gas production (ie. the restart), recommissioning of the gas processing and compression facilities and then increase of the gas production rate to an initial 9 TJ per day (3.3 PJs per annum). Gas production will initially be from the Newstead storage facility with various existing wells across the fields progressively brought back into operation. First gas production and commencement of gas sales delivering into the Australian Pacific LNG off-take agreement is targeted to be achieved by September 2017, and the balance of the restart program (including commencement of associated liquids production) is planned to be completed by October 2017. The offtake agreement with Australian Pacific LNG for gas supply beyond the initial project commissioning phase is subject to the satisfaction or waiver of a condition precedent by APLNG in relation to gas transportation arrangements.
- Phase 2 will involve shooting 3D seismic data and the drilling of a number of new wells plus work-overs and stimulations of existing wells to achieve an increase in gas production.

#### **Gas Marketing Strategy and Newstead Storage Facility**

Armour has direct access to the Roma to Brisbane Pipeline via Wallumbilla hub through its Kincora to Wallumbilla Pipeline (KWP) under Queensland Petroleum Pipeline Licence number 3 (PPL 3). As a result, Armour has access to the Australian east coast market, providing it with the opportunity to negotiate gas sales arrangements with a wide range of gas users across the market, including a range of industrial customers, wholesale customers, traders and LNG producers subject to appropriate gas transportation capacity and arrangements being available.

The Newstead storage facility currently holds approximately 2.3PJ of treated gas (sales quality) which is expected to require minimal re-processing (compression and dehydration) before sending to market at Wallumbilla. Newstead has a total capacity ~7.5PJs. The facility provides significant benefits through flexibility of operations plus commercial benefits through providing:

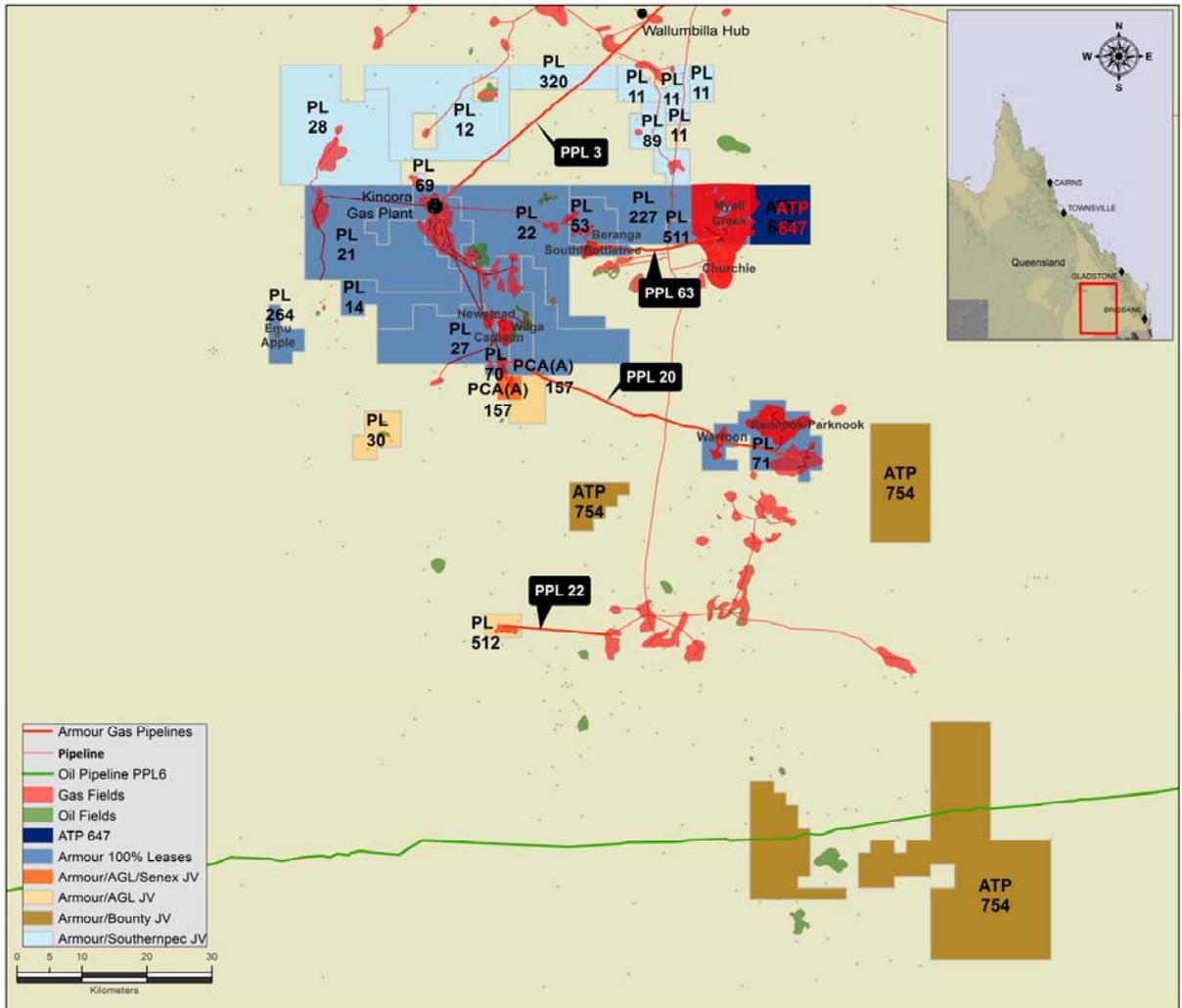
- back-up capacity when upstream production facilities experience both unplanned and planned shutdowns;
- capacity to store gas when prices are low, waiting for higher prices to maximise revenue;
- capacity to maximize sales opportunity during seasonal price cycle and trading activities, specifically sales into the peaking electricity market during the December to March period;
- opportunistic supply when spot cargoes for LNG and electricity producers experience price spikes.

Further, the injection and withdrawal rates can be improved through de-bottlenecking and augmentation, and Armour intends to commence detailed studies on this once gas sales has commenced.

Additional storage opportunities exist in a number of depleted reservoirs across the tenements. Armour will investigate the potential to create additional storage capacity from these depleted reservoirs.

## **Kincora Project - Pre-emptive Rights Acquisition re Santos' Interests in Armour-Operated Assets Finalised**

During the quarter Armour finalised all of the outstanding pre-emptive right transfers over Santos' interests in the Kincora Project. Armour now has a 100% interest in the darker blue shaded area in **Figure 1** below, and as detailed in **Table 1** on the following page.



**Figure 1: Map showing Armour’s Kincora Project lease position following completion of the Sale and Purchase Deed with Santos (darker blue shaded area), and following its acquisition of QGC’s interest in ATP647.**

**Table 1** below shows the percentage holding that Armour now has, following completion of the Sale and Purchase Deed with Santos.

Tenement	Field Name	Armour Operated	Armour Interest Prior to Pre-Empt	Armour Interest After Pre-Empt
PL 14	Kincora	*	100%	100%
PL 53	Kincora	*	100%	100%
PL 70	Kincora	*	100%	100%
PL 511 (formerly PL 174)	Kincora	*	100%	100%
PL 227	Horseshoe	*	100%	100%
PPL 3	n/a	*	100%	100%
PPL 20	n/a	*	100%	100%
PPL 63	n/a	*	100%	100%
Newstead Gas Storage	Newstead	*	100%	100%
PL 21 (see note)	Kincora	*	87.5%	100%
PL 22 (see note)	Kincora	*	87.5%	100%
PL 27 (see note)	Kincora	*	87.5%	100%
PL 71 (production) (see note)	Parknock	*	90.0%	100%
PL 264 (see note)	Emu Apple	*	90.0%	100%
PL 30 (see note)	Riverslea	*	75%	90%
PL 512 (formerly PL 74) (see note)	Major	*	69%	84%
PPL 22 (see note)	n/a	*	69%	84%
PL 71 (exploration) (see note)	Parknock	*	72%	80%
ATP 1190 (formerly ATP 471)	Weribone	*	50.64%	50.64%
ATP 754	ATP754	*	50%	50%
ATP 647 (Block 2656)	Myall Creek East		50%	50%
PL 28	Waldegrave		46.25%	46.25%
PL 69	Waldegrave		46.25%	46.25%
PL 89	Waldegrave		46.25%	46.25%
PL 320 (formerly PL 10W)	Waldegrave		46.25%	46.25%
PL 11W	Waldegrave		46.25%	46.25%
PL 12 W	Waldegrave		46.25%	46.25%
PL 11	Snake Creek East		25%	25%
ATP 1190 (formerly ATP 471)	Bainbilla		24.748%	24.748%

(Note: Leases the subject of the Sale and Purchase Deed with Santos.)

**Table 1: Armour tenements at the Company's Kincora Project, Roma Shelf, Queensland**

## Kincora Project - Armour Acquires QGC's interest in ATP647

On 31 May 2017, Armour announced that it had acquired QGC's interest in ATP647 on the Roma Shelf. Armour now holds 100% of ATP647 which is located immediately to the east of Armour's PL227 and its Myall Creek field.

With Armour now holding 100% of ATP647, the Company will be able to further expand the mature, but undeveloped, wet gas conventional and tight wet gas plays in Permian and Triassic reservoirs of the Bowen-Surat Basin. The existing Myall Creek East 1 well, located in the southwest corner of block ATP647, is currently suspended and is considered a candidate for stimulation and potential connection into the Myall Creek field gathering system and compressor station. This will provide Armour with another low cost operation to add to our growing portfolio on the Roma Shelf, and provide it with reserve growth and further production capacity to supply the domestic market.

Armour's updated tenement holding position at Kincora following the completion of its acquisition agreements with Santos and QGC is outlined in **Figure 1** above.

## Kincora Project - Reserves Upgrade

On 3 April 2017 the Company announced a Reserves update on its operated Roma Shelf Assets, as part the Company's Kincora Project. The commercialisation of Armour's Kincora Project was reviewed and evaluated in accordance with the Society of Petroleum Engineers – Petroleum Resource Management System (SPE-PMRS) guidelines, resulting in a portion of the previously evaluated Contingent Resources being upgraded to Reserves as outlined in **Table 2** below.

Reserves <sup>(1)</sup>	1P	2P (1P+2P)	3P (1P+2P+3P)
Estimated Net Total Gas (BCF)	30.16	53.86	149.56
Estimated Net Total Gas (PJ)	31.82	56.82	157.79
LPG Yield (Tonne)	65,706	117,338	325,828
Condensate Yield (BBL)	316,215	564,700	1,568,075

**Table 2 – Armour Energy Bowen-Surat estimated aggregated quantities of petroleum reserves**

Table 2 Notes:

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

The upgrade of a portion of Armour’s Contingent Resources to Reserves follows demonstration by Armour of the economic viability and commercialisation of the Kincora Project. This demonstration included the execution of the Gas Sales Agreement with Australia Pacific LNG, the Connection Agreement with APA Group, plus Armour’s ongoing progress on its capital raising program and its Kincora project restart plans.

## Oil Production and Sales

Quarterly oil production from the Emu Apple field and facility are as follows:

	Oil production (bbl)	Oil sales (bbl)
<b>100% Armour</b>	3,531	3,197

**Table 3: Quarterly oil production and sales**

Armour now holds a 100% interest in the Emu Apple oil field and facility within PL264, having acquired the residual interest of Santos.

## CORPORATE ACTIVITIES

### Capital Raising Program Increased to \$50m

On 26 April 2017 Armour announced an increase to its previously advised capital raising program, from \$40m to \$50m to fund the start-up of gas and liquids production from the Kincora project, the on-going development of the Kincora field assets, to refinance existing debt facilities, to fund other growth initiatives, and for general working capital purposes.

The \$10m proposed increase in the Convertible Notes issue was approved by shareholders at an Extraordinary General Meeting on 31 May 2017 and also approved by the Note Trustee and by existing Noteholders.

DGR Global, Armour Directors and Management, and new key Armour investor MH Carnegie & Co have all shown strong support for the range of capital raising initiatives. The additional funds to be raised will enable an accelerated ramp up of the Kincora project gas and liquids production and also provide funding towards other growth initiatives.

A total of \$32.5m worth of Convertible Notes has now been subscribed for to date with a further \$12.5m expected to be raised by the end of the September quarter.

As previously announced by the Company, as part of the capital raising initiatives, Armour will shortly undertake a pro-rata non-renounceable entitlement offer of ordinary shares to existing shareholders on a 1 for 6 entitlement basis at an issue price of 7.6c per share to raise approximately \$4.25 million (**Entitlement Offer**).

The Entitlement Offer will be fully underwritten by Bizzell Capital Partners Pty Ltd, an entity associated with Armour Director Stephen Bizzell.

Further details with respect to the proposed Entitlement Offer including the offer timetable will be provided to shareholders in due course.



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
<b>Acquired During Quarter</b> ( <i>Italix represents additional interests acquired in existing tenements</i> )				
PL 21	Queensland	Balonne	AE (SB) P/L	12.5%
PL 22	Queensland	Colgoon	AE (SB) P/L	12.5%
PL 27	Queensland	Karoola	AE (SB) P/L	12.5%
PL 71(P)	Queensland	Parknook Prdn	AE (SB) P/L	10%
PL 71(E)	Queensland	Parknoon Expln	AE (SB) P/L	8%
PL 30	Queensland	Riverslea	AE (SB) P/L	15%
PL 512	Queensland	Major	AE (SB) P/L	15%
PL 264	Queensland	Emu Apple	AE (SB) P/L	10%
ATP 647	Queensland	Myall Creek East	AE (SB) P/L	50%

#### Relinquished During Quarter

EL 30775	Northern Territory	Floyd Pepper	Ripple Resources P/L	100%
EL 70776	Northern Territory	Dr. Teeth	Ripple Resources P/L	100%
EL 30812	Northern Territory	Pepe the Prawn	Ripple Resources P/L	100%
EL 30813	Northern Territory	Camilla Chicken	Ripple Resources P/L	100%
EL 30822	Northern Territory	Crazy Harry	Ripple Resources P/L	100%
EL 30823	Northern Territory	Scooter	Ripple Resources P/L	100%
EL 30836	Northern Territory	Western Creek	Ripple Resources P/L	100%
EL 30925	Northern Territory	Mt Lamb	Ripple Resources P/L	100%
EL 30926	Northern Territory	Alexandria	Ripple Resources P/L	100%
EL 30927	Northern Territory	Buchan Dam	Ripple Resources P/L	100%
EL 30736	Northern Territory	Vutron	Ripple Resources P/L	100%
EL 30737	Northern Territory	Collider	Ripple Resources P/L	100%
EL 30750	Northern Territory	Hyperion	Ripple Resources P/L	100%
EL 30751	Northern Territory	Carrington	Ripple Resources P/L	100%
EL 30752	Northern Territory	Acheron	Ripple Resources P/L	100%
EL 30753	Northern Territory	Mondegreen	Ripple Resources P/L	100%
EL 30076	Northern Territory	Kermit	Ripple Resources P/L	100%
EL 30078	Northern Territory	Fozzie	Ripple Resources P/L	100%
EL 30079	Northern Territory	Scooter	Ripple Resources P/L	100%
EL 30080	Northern Territory	Miss Piggy	Ripple Resources P/L	100%

TYPE	LOCATION	NAME	OWNER	INTEREST
<b>Relinquished During Quarter</b>				
EL 29837	Northern Territory	Catfish Hole	Ripple Resources P/L	100%
EL 29951	Northern Territory	Eric Cartmen	Ripple Resources P/L	100%
EL 29952	Northern Territory	Kenny McCormick	Ripple Resources P/L	100%
EL 29953	Northern Territory	Secret Treasure	Ripple Resources P/L	100%
EL 29954	Northern Territory	Kyle Broflovski	Ripple Resources P/L	100%
EL 29955	Northern Territory	Stan Marsh	Ripple Resources P/L	100%
EL 30774	Northern Territory	Sam the Eagle	Ripple Resources P/L	100%
<b>Held Throughout Quarter</b>				
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	87.5%
PL 22	Queensland		AE (SB) P/L	87.5%
PL 27	Queensland		AE (SB) P/L	87.5%
PL 71(P)	Queensland		AE (SB) P/L	90%
PL 71(E)	Queensland		AE (SB) P/L	72%
PL 264	Queensland		AE (SB) P/L	90%
PL 30	Queensland		AE (SB) P/L	75%
PL 512	Queensland		AE (SB) P/L	69%
PPL 22	Queensland		AE (SB) P/L	69%
ATP 647	Queensland		AE (SB) P/L	50%
ATP 754	Queensland		AE (SB) P/L	50%
ATP 1190	Queensland		AE (SB) P/L	50.64%
ATP1190(B)	Queensland		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
<b>Held Throughout Quarter</b>				
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**

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