



QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDED 30 SEPTEMBER 2014

ASX CODE: AJQ

SHARES ON ISSUE
302,183,953

MARKET CAPITALISATION
\$27m (at AUD\$0.09)

DIRECTORS

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HIGHLIGHTS

- Egilabria 2 flowback recovery and testing program has been completed with very encouraging results. The Egilabria 2 well is believed by Armour to be part of the most promising shale gas prospect in Australia to date, which is on-track to potentially deliver a major new gas project in northern Australia.
- A 9km² DCIP 3D Geophysical Survey was conducted within the Glyde Sub-basin, EP171 in the Northern Territory.
- A two (2) year extension to ATP1087 has been approved by Queensland Government.
- All work in the field has stopped in northern Australia, and planning is underway for the Company's 2015 work program including the planned regional 2D seismic survey in the MacArthur Basin, Northern Territory.
- A number of native title negotiations are in progress in Queensland (ATP1107) and in the Northern Territory to achieve grant of EP193.
- Armour is seeking to obtain a substantial Research & Development cash rebate by application to AusIndustry for an Advance Finding.
- Discussions with a number of potential joint venture partners are ongoing.



Egilabria 2 flowback recovery and testing program has been completed with very encouraging results. The Egilabria 2 well is believed by Armour to be part of the most promising shale gas prospect in Australia to date, which is on-track to potentially deliver a major new gas project in northern Australia.

The aim of the test at Egilabria 2 was to prove the concept that horizontal well technology, together with hydraulic stimulation, can flow hydrocarbons to surface from the Lawn Shale. The well was drilled to test extraction techniques for gas resources known to be present at the well's location. The well is considered to be experimental, testing drilling, completion, stimulation and production techniques. The Egilabria 2 well is located in ATP1087 in North-West Queensland, 300km north of Mt Isa and is 100% owned and operated by Armour (Figure 1).

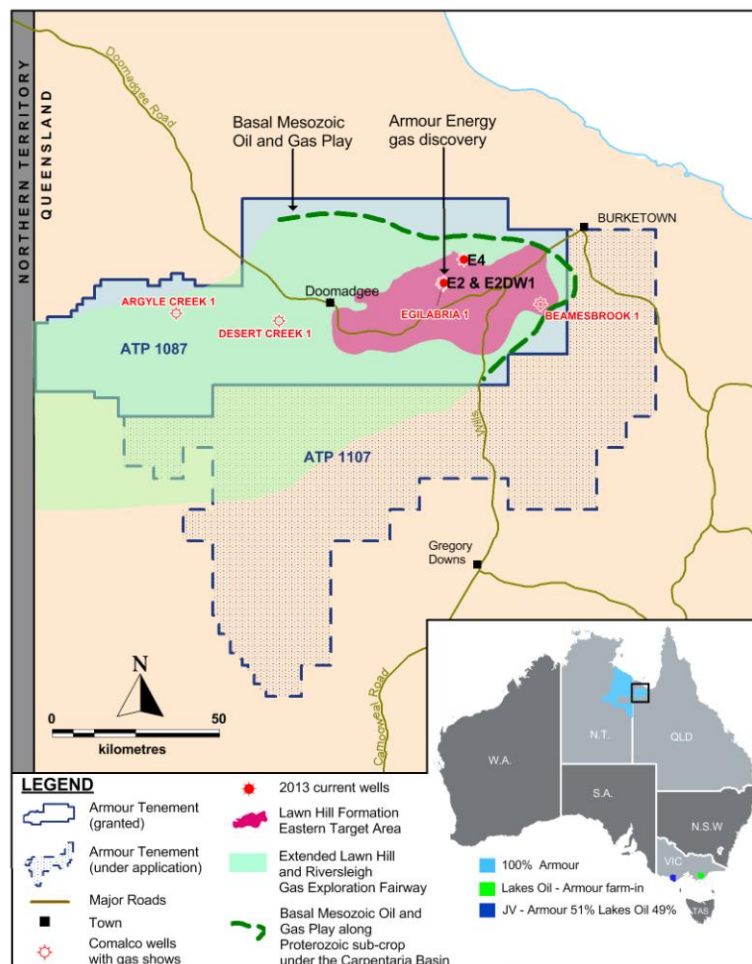


Figure 1: Location of Egilabria 2 and 4 wells, Lawn and Riversleigh Shale fairways - ATP 1087, Queensland.

As reported on 29 September 2014, the Egilabria 2 well had been continuously flowing gas through the test separator during the recovery of stimulation fluids by means of a downhole PCP (Progressive Cavity Pump).

Further significant progress was made since 29 September 2014, with continuous gas flaring observed (**Figure 2**). The well's annulus pressure at surface increased further to 781psi and was continuing to rise prior to routing all gas through the test separator (**Figure 3**). Following the routing of both annulus and tubing flow through the separator, flows and flares from the well were observed to increase significantly, however a reliable measurement of a stabilised flow rate was not achieved.



Figure 2: Egilabria 2 well - ATP 1087, Queensland on 1 Oct 14 (top) and 8 Oct 14 (bottom).



Figure 3: Egilabria 2 well – Well and flow test apparatus.

A total of 64% of the original 11,400 bbls of stimulation fluids originally pumped into the well were pumped and flowed back.

The Egilabria 2 well is believed by Armour to be part of the most promising shale gas prospect in Australia to date. Gas samples from previous sample collecting and testing activities indicate more than 90% methane, carbon dioxide content of less than 2% and helium content of approximately 1%. These results have been achieved notwithstanding the fact that Armour believes that only 1 of the 12 fracture stimulation stages may have been successful.

Flow from the well stopped on 9 October 2014 following which the Company demobilised operations from the site, and has been investigating the reasons for the stoppage. This is believed to be related to sudden pressure reduction as a result of the testing conditions at the time. These low pressure conditions are not expected to be applied in future commercial production operations.

The Lawn Shale is present in Egilabria 2 between depths of 1,583 and 1,720 metres, at 137m thick, and hosts up to 8% Total Organic Content (TOC). During the drilling of the well in 2013, significant gas shows and flares were encountered between 425 and 1,870 metres vertical depth. However, these are yet to be stimulated or tested, and considerable further potential is considered to be evident at this depth.

The vertical exploration well Egilabria 4, also drilled in 2013 penetrated the Riversleigh Shale formation below the Lawn Shale formation. The analysis of results from Egilabria 4, combined with other data gathered to date including from Egilabria 2 has concluded that both the Lawn and Riversleigh Shale Formations are highly prospective.

The Lawn and Riversleigh Shale Formations are expected to have large, continuous fairways estimated to be 1,500 km² and 4,000 km² respectively. The Lawn Shale in ATP1087 contains a best estimate gas prospective resource of 18.7TCF (MBA, November 2011). Armour believes that basin depocentres at significantly greater depths within these plays will yield substantially improved results compared to Egilabria 2, as a result of higher pressures in the depocentres.

Armour is evaluating forward programs to determine 3C contingent gas resources across the entire Lawn and Riversleigh Shale fairways which cover 1,500 km² and 4,000 km² respectively within ATP1087. Third party independent certifier SRK Consulting estimates Contingent Resources relating to the Lawn Hill Shale Formation in Egilabria 2 of 364BCF 3C; 154BCF 2C; 33BCF 1C relating to a 64km² area around Egilabria 2 (SRK Consulting, July 2014). Armour believes that the entire fairway is prospective for additional resources on this or a better basis.

A Memorandum of Understanding has been signed with MMG Century Pty Ltd (“MMG”) to work together towards gas supply arrangements from Armour’s exploration tenements in North West Queensland to MMG’s Queensland operations, for up to 7 to 9 Petajoules per annum (**Figure 4**).

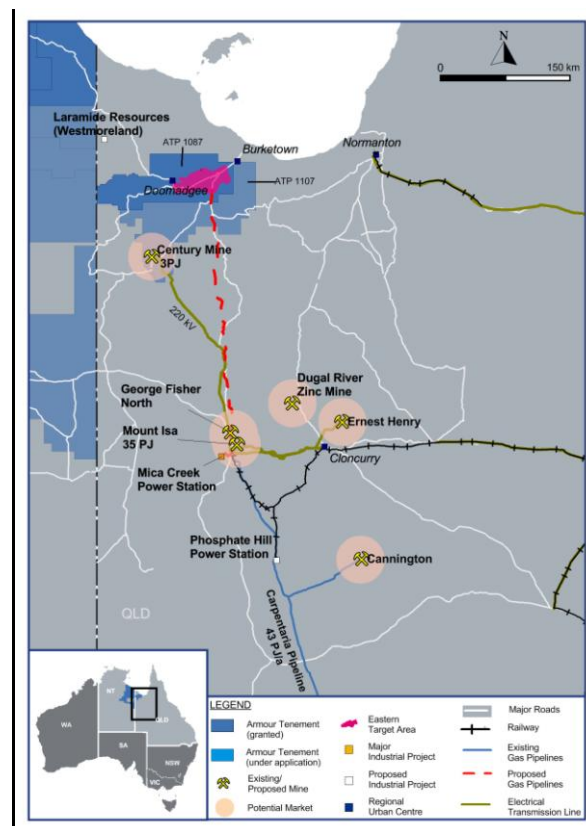


Figure 4: Location of ATP 1087, Queensland.

Armour continues to investigate other regional market opportunities for gas sales to existing and proposed mining operations, local towns and communities, including power generation facilities. A range of large scale projects are also being evaluated to deliver gas to domestic and overseas markets as an LNG export business.

Overall Armour believes it has made significant progress over the last 2 years in the South Nicholson basin towards the objective of 'cracking the codes' to flow gas at commercial rates. This progress has been made using experimental vertical and lateral drilling techniques using a variety of drilling bits and techniques, lateral casing and cementing strategies, cementing and completion techniques, well logging strategies and fracture stimulation techniques, never before attempted in the area. These techniques have contributed to the successful early results achieved and will be further improved over future drilling and testing programs.

The Company expects that with longer lateral sections and successful multi stage well stimulations, initial flowrates in excess of 10 mmscf per day are possible. As a comparison Armour points to the evolution of shale gas drilling, completion and production strategies adapted by Range Resources Corporation (a US\$11.5B corporation) exploring in the Marcellus Shale (north east USA) where flowrates increased from 30,000 scf per day to 14 mmscf per day over 8 wells spanning 4-5 years. With the benefit of its encouraging early results, Armour intends to continue unlocking these plays as soon as possible with the support of a strong industry partner. Discussions are ongoing in this regard.

A 9km² DCIP 3D Geophysical Survey was conducted within the Glyde Sub-basin, EP171 in the Northern Territory.

The Glyde 1 ST1 lateral well was drilled by Armour in August 2012 and flowed at 3.3 million standard cubic feet per day equivalent (mmscf/d) at a pressure of 125 psi during 45 minutes of testing on a 16/64 inch choke. This conventional gas accumulation was discovered by Armour in the Coxco Dolomite of the Teena Formation, a conventional, free-flowing reservoir in the Batten Trough, McArthur Basin. EP171 is 100% owned by Armour.

During the quarter, Armour conducted a 3D geophysical survey, using DC resistivity and IP chargeability (DCIP) technology over an area of 3km x 3km (9km²) centred around the Glyde discovery to assist in the definition of the vertical and lateral extent of the gas accumulation at Glyde. The results of this survey will be used with the objective of de-risking future wells in the Glyde area while Armour continues to evaluate the near term development of a project in this area. Such a project may utilise Compressed Natural Gas or Micro LNG facilities to deliver energy to remote mining operations and communities in the Northern Territory and/or the North West Queensland minerals province.

All work in the field has stopped in northern Australia and planning is underway towards the Company's 2015 work program including the planned regional 2D seismic survey in the MacArthur Basin, Northern Territory.

The Company's regional 2D seismic survey in the MacArthur Basin was deferred to mid-2015. The advantages of deferring the survey include an ability to expand the program to include EP193, assuming its grant in the meantime, and elimination of any risk that seismic activities need to be curtailed due to onset of the wet season. Geological analysis of the basin has indicated that the seismic target area, including EP193, potentially contains a number of large depo-centres highly prospective for oil and gas.

A two (2) year extension to ATP1087 has been approved by Queensland Government.

The Queensland Government has approved a two year extension to Armour's ATP1087 to December 31st 2018 pursuant to recently announced changes to the Petroleum and Gas (Production and Safety) Act 2004.

Armour welcomes this extension as it supports the foundation for Armour to further explore, appraise and develop this highly prospective tenement in Queensland in a manner that benefits both the State of Queensland and the Company.

A number of native title negotiations are in progress in Queensland (ATP1107) and in the Northern Territory to achieve grant of EP193.

Armour has been progressing negotiations with the Northern Land Council in the Northern Territory regarding tenement EP193. This tenement is under the Aboriginal Land Rights Act (ALRA) and as such is different to the tenements granted to Armour to date which have been granted in accordance with the Native Title Act. Armour aims to fully negotiate the ALRA agreement for EP193 this year and that the tenement will be granted during Q1 of 2015.

Regarding Armour's preferred tender status on ATP1107 in Queensland, discussions with Native Title parties in Queensland have been ongoing during the quarter. Armour expects to commence substantive negotiations for native title agreements in the near future with the Gangalidda & Garawa People and with the Waanyi People.

Armour is seeking to obtain a substantial Research & Development cash rebate by application to AusIndustry for an Advance Finding.

Armour made an application to AusIndustry for an Advance Finding in accordance with the Industry Research and Development Act 1986. If successful, this will entitle Armour to a substantial tax rebate. While the initial application was unsuccessful, Armour has sought a review of the decision by AusIndustry. Two of the four largest global accounting firms are providing specialist advice to Armour.

Armour will keep the market informed of further developments concerning this application as and when they arise.

Discussions with a number potential joint venture partners are ongoing.

It is the Company's strategy to fund the next major stage of its exploration program through partnering. Armour continues to progress a dialogue with several potential partners towards this objective and remains encouraged by the interest expressed in its projects in Northern Australia by major industry players in Australia and overseas.

HEALTH, SAFETY AND ENVIRONMENT

No accidents or incidents to report.



On behalf of the Board
Karl Schlobohm
Company Secretary

ABOUT AMOUR ENERGY

Armour is focused on the discovery and development of world class gas and associated liquids resources in an extensive hydrocarbon province in northern Australia which was first discovered in the early 1990s. This region has only recently had its shale potential identified by Armour. Today's business environment with strong domestic and global demand for gas, gas prices trending towards LNG netback combined with proven shale extraction technologies and world class personnel, provides the Company with an extraordinary opportunity to define and ultimately develop a major new gas province.

Armour's permit areas in northern Australia, which are all 100% owned, are characterised by low population densities, cooperative stakeholders and a natural environment suited to the exploration and development of a major future hydrocarbon province. Armour is focusing on the exploration of the McArthur, South Nicholson and Georgina Basins in the Northern Territory and Queensland, and in the onshore Gippsland Basin in Victoria in joint venture with Lakes Oil, for gas and associated petroleum liquids.

See www.armouenergy.com.au for more information.

The resources information in this public report is based on, and fairly represents, data and supporting documentation prepared by, or under the supervision, of Dr Bruce McConachie. Dr McConachie is a 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 public report was issued with the prior written consent of Dr McConachie in the form and context in which it appears. Resource estimations were prepared by SRK Consulting in accordance with the definitions and guidelines of the 2007 Petroleum Resources Management System (SPE, 2007). Additionally, the PMRS Guidelines 2011 were used to distinguish the Contingent Resources from quantities that should be classified as Unrecoverable. Further details are contained within the Company's announcement of 16 July 2014.

INTERESTS IN TENEMENTS FOR THIS QUARTER

TYPE	LOCATION	NAME	OWNER	INTEREST
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Acquired During Quarter

Held at Beginning of Quarter

EPP 171	Northern Territory	Abner Range	Armour Energy	100%
EPP 174	Northern Territory	Robinson River 2	Armour Energy	100%
EPP 176	Northern Territory	Ryans Bend	Armour Energy	100%
EPP 190	Northern Territory	Calvert	Armour Energy	100%
EPP 191	Northern Territory	Wallhollow	Armour Energy	100%
EPP 192	Northern Territory	Wollogorang	Armour Energy	100%
EPM 19833	Queensland	Bowthorn	Ripple Resources	100%
EPM 19835	Queensland	Shadforth East	Ripple Resources	100%
EPM 19836	Queensland	Shadforth	Ripple Resources	100%
EPM 19795	Queensland	Egilabria North	Ripple Resources P/L	100%
EPM 19797	Queensland	Egilabria South	Ripple Resources P/L	100%
EPM 25410	Queensland	Bowthorn - extended	Ripple Resources P/L	100%
EPM 25411	Queensland	Buffalo Creek	Ripple Resources P/L	100%
EPM 25412	Queensland	Brookdale	Ripple Resources P/L	100%
EPM 25413	Queensland	Punjaub	Ripple Resources P/L	100%
EPM 25414	Queensland	Bluebush Northwest	Ripple Resources P/L	100%
EPM 25415	Queensland	Buffalo Creek North	Ripple Resources P/L	100%
EL 30076	Northern Territory		Ripple Resources P/L	100%
EL 30077	Northern Territory		Ripple Resources P/L	100%
EL 30078	Northern Territory		Ripple Resources P/L	100%
EL 30079	Northern Territory		Ripple Resources P/L	100%
EL 30080	Northern Territory		Ripple Resources P/L	100%
EL 29837	Northern Territory	Catfish Hole	Ripple Resources	100%
EL 29951	Northern Territory		Ripple Resources	100%
EL 29952	Northern Territory		Ripple Resources	100%
EL 29953	Northern Territory		Ripple Resources	100%
EL 29954	Northern Territory		Ripple Resources	100%
EL 29955	Northern Territory		Ripple Resources	100%
ATP 1087	Queensland	South Nicholson	Armour Energy	100%
PEP 169	Victoria	Moreys	Lakes Oil	51%
PEP 166	Victoria	Holdgate	Lakes Oil	25%
PRL2	Victoria		Lakes Oil	15%

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