



***“Preparing for the next wave of investment in oil and gas exploration”***

AGM 2014

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ASX:AJQ



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Raymond L Johnson Jr., General Manager Reservoir Development for Armour Energy, is qualified in accordance with the requirements of ASX listing rule 5.11 and has consented to the use of the resource figures in the form and context in which they appear in this presentation.

# What is Armour doing? Preparing for the next wave of investment in oil and gas exploration



## The market opportunity is building

- ▶ Asian LNG demand growing strongly
- ▶ QLD LNG export is almost upon us – gas market upheaval
- ▶ The NW QLD market needs Armour gas
- ▶ NT Link gaining momentum

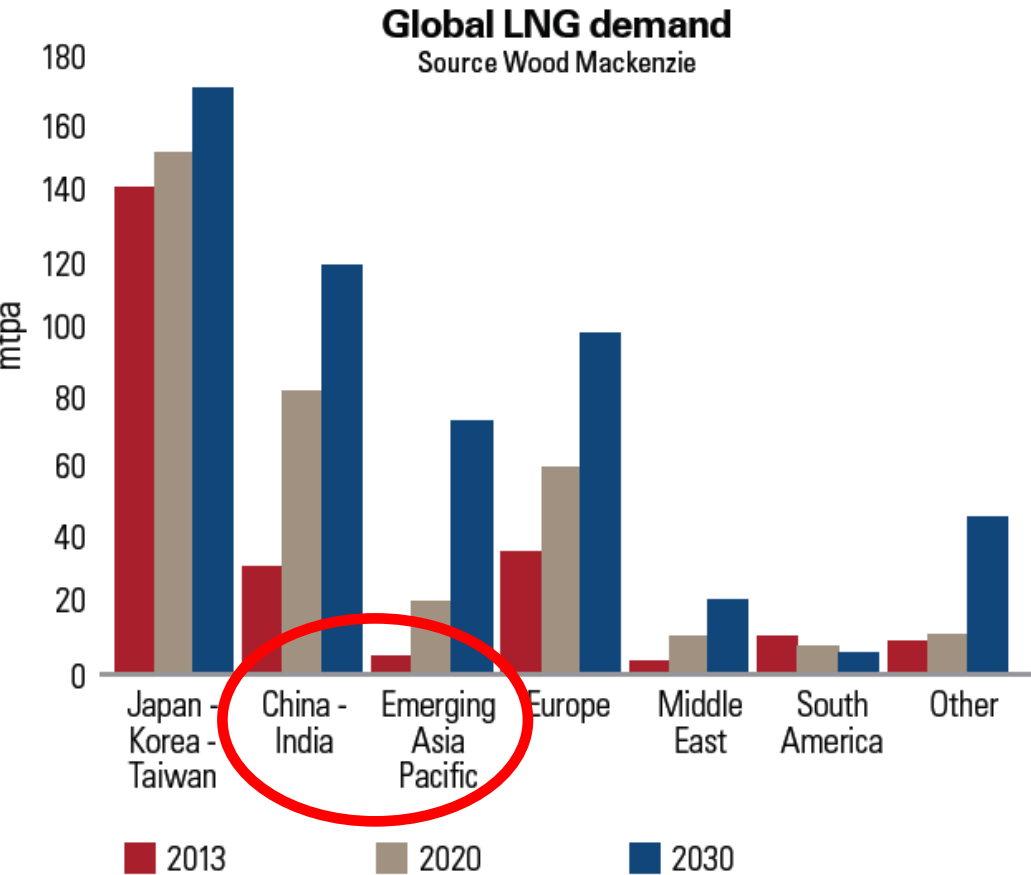
## Assets secured ahead of time, very positive results

- ▶ 133,000 km<sup>2</sup> or over 33 million acres – 100% owned
- ▶ Whole basin positions – key for new unconventional plays
- ▶ Data is our currency – so far so good for a potentially massive new shale gas play

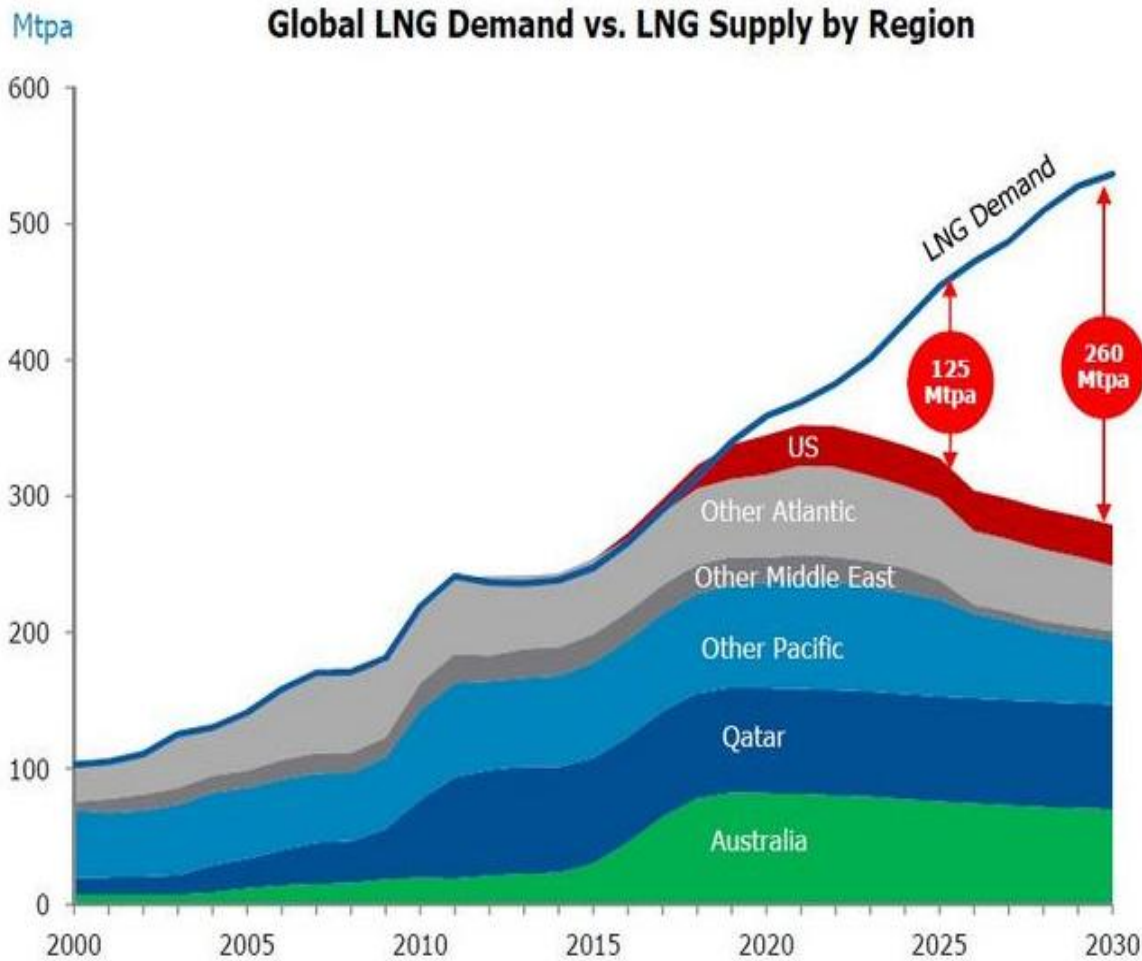
## Working on a sustainable company platform

- ▶ Prudent capital management – cash and issued capital
- ▶ Focus on tenure security
- ▶ Positioning our company for inevitable shifts in gas and capital markets

# Even with US exports, significant unmet LNG demand exists post 2020



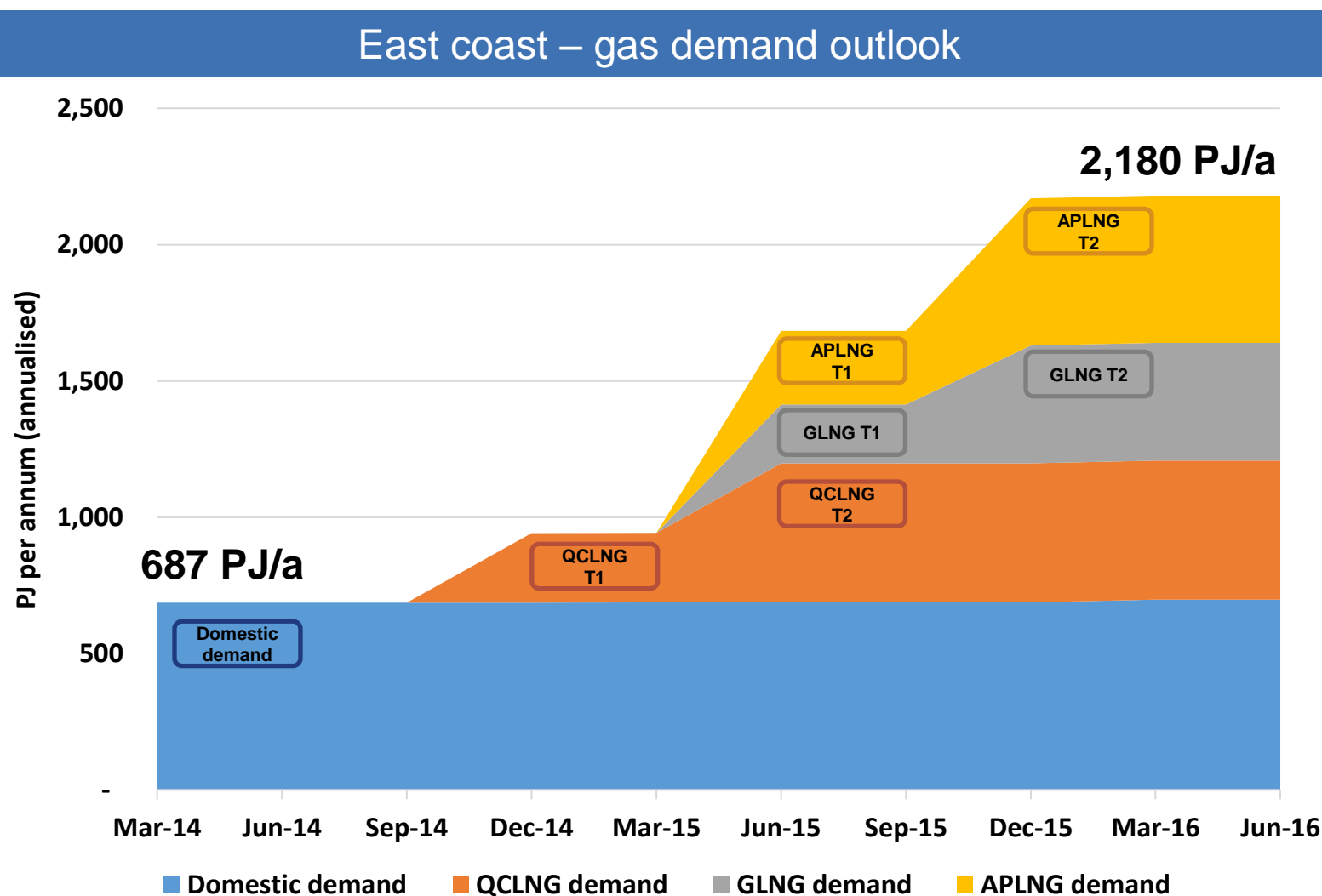
Source: Woodside



Source: Santos

# Australian east coast market is undergoing rapid change

Over the next 12-18 months, LNG exports will send powerful price signals to east coast market participants as gas demand triples.



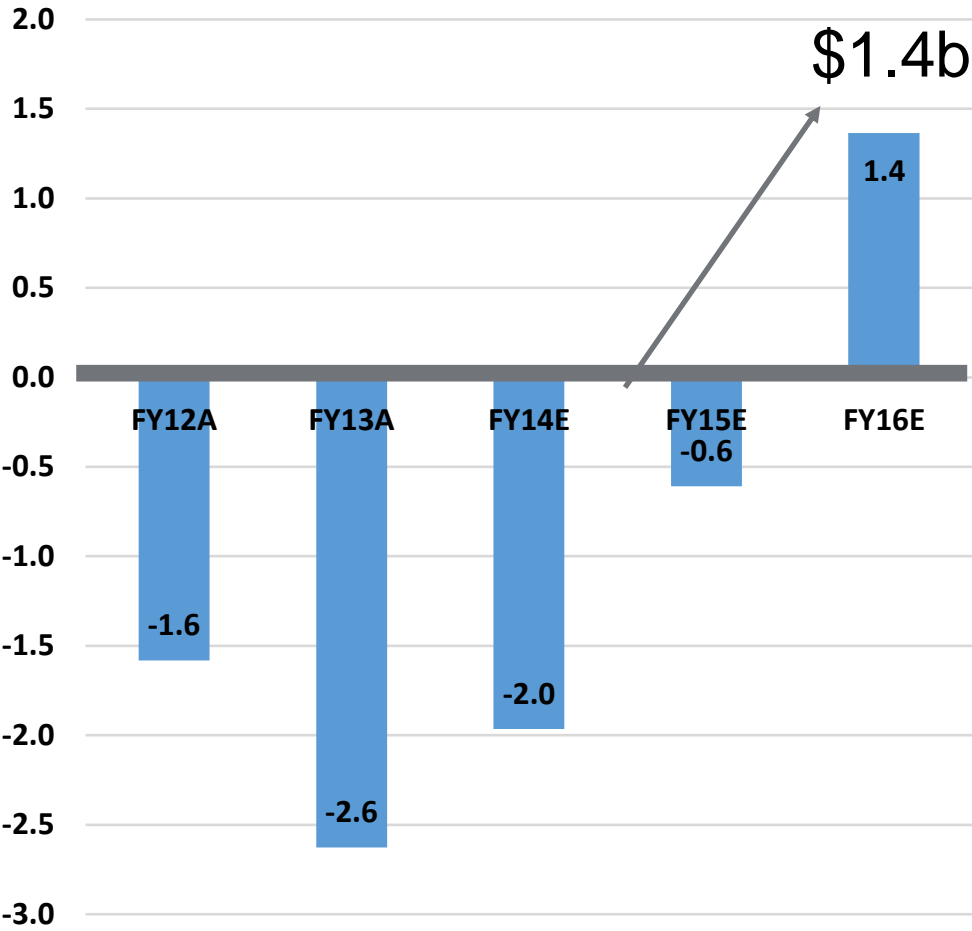


# Major oil and gas companies are entering a new cash generation phase

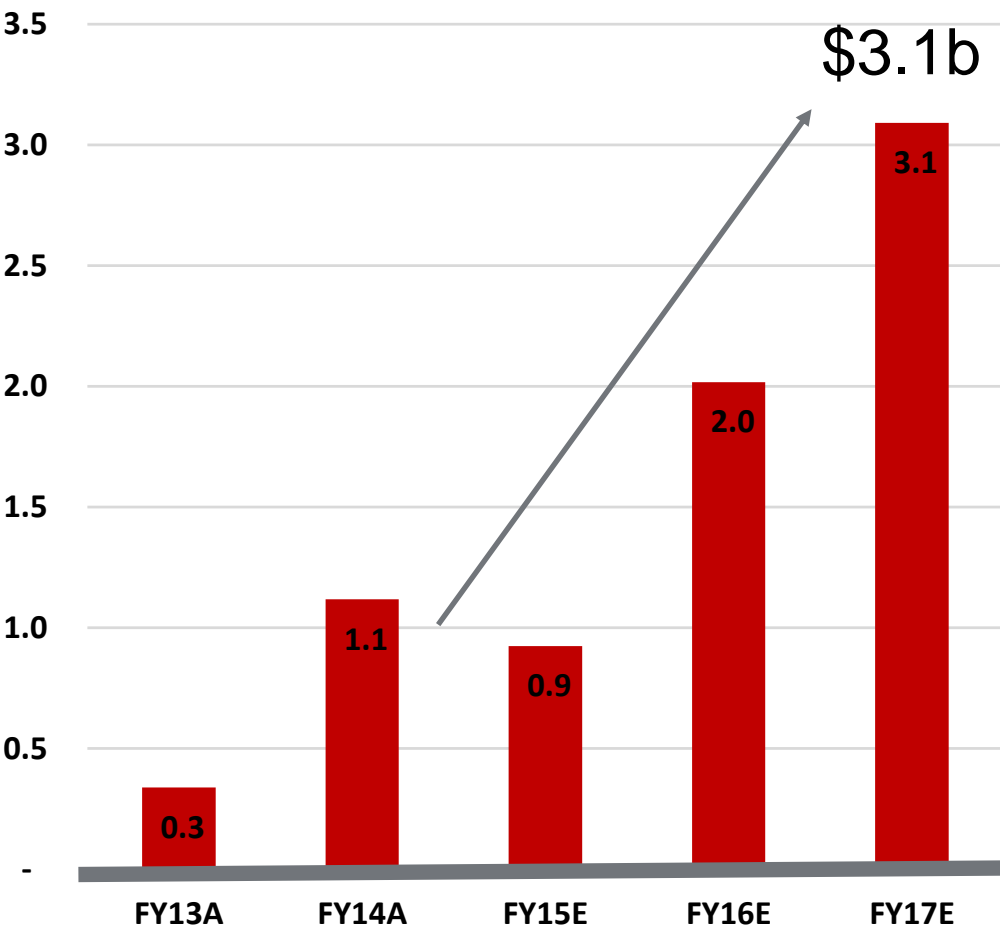


## Annual free cash flow – A\$billion

LNG company 1



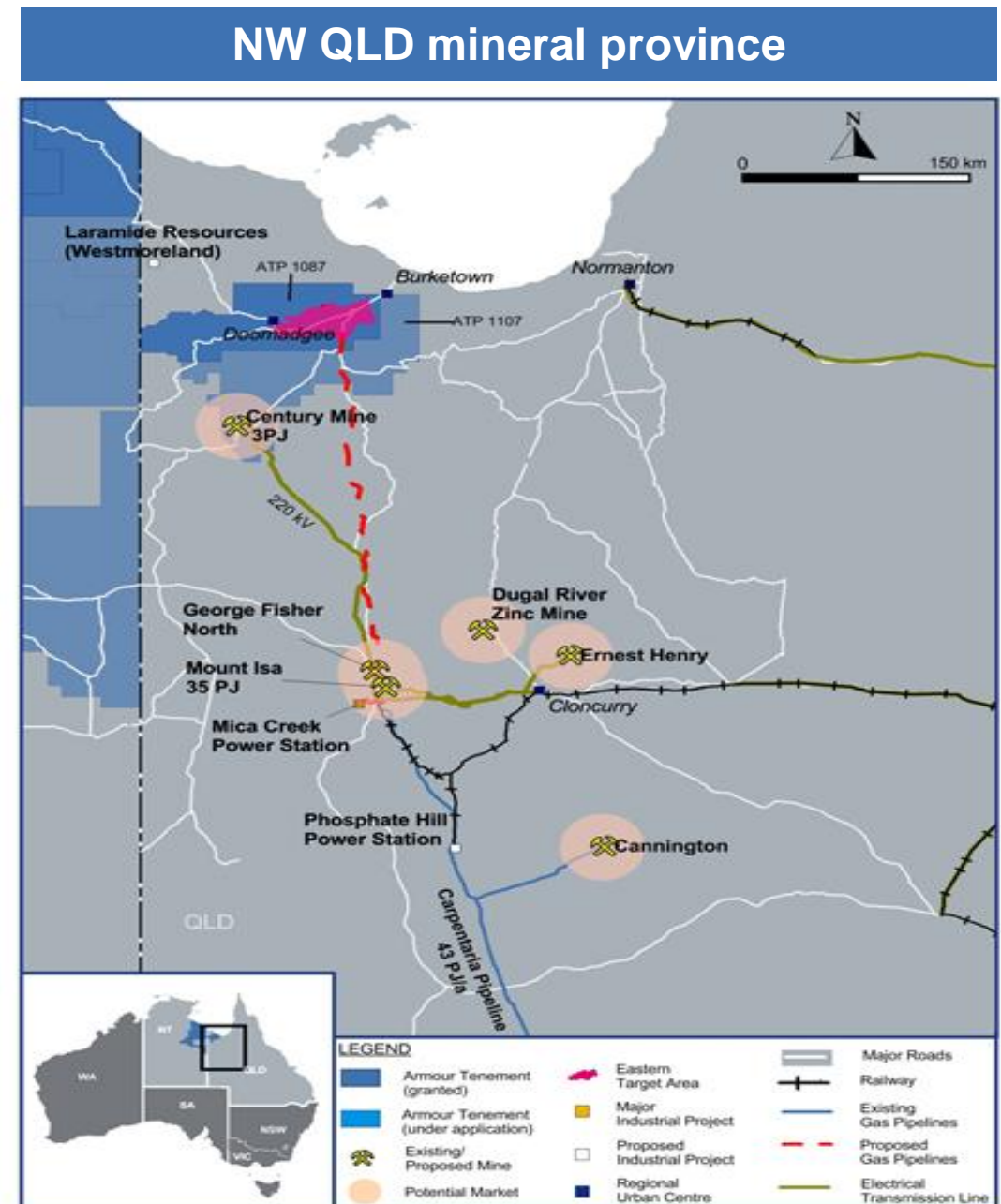
LNG company 2



Source: Citi

# The NW Queensland minerals province needs Armour gas

- ▶ Gas about to become more scarce and prices are rising
- ▶ Pressure on existing industrial business models, and feasibility for future projects
- ▶ Gas contracts becoming shorter term with “stopgap” approach
- ▶ The market will welcome a major new source of energy in the region
- ▶ Armour has signed 2 gas sales MOUs in 2014
  - ✓ MMG Century: 7-9PJ's pa
  - ✓ AEON Metals: 1-2PJ's pa
  - Other discussions ongoing

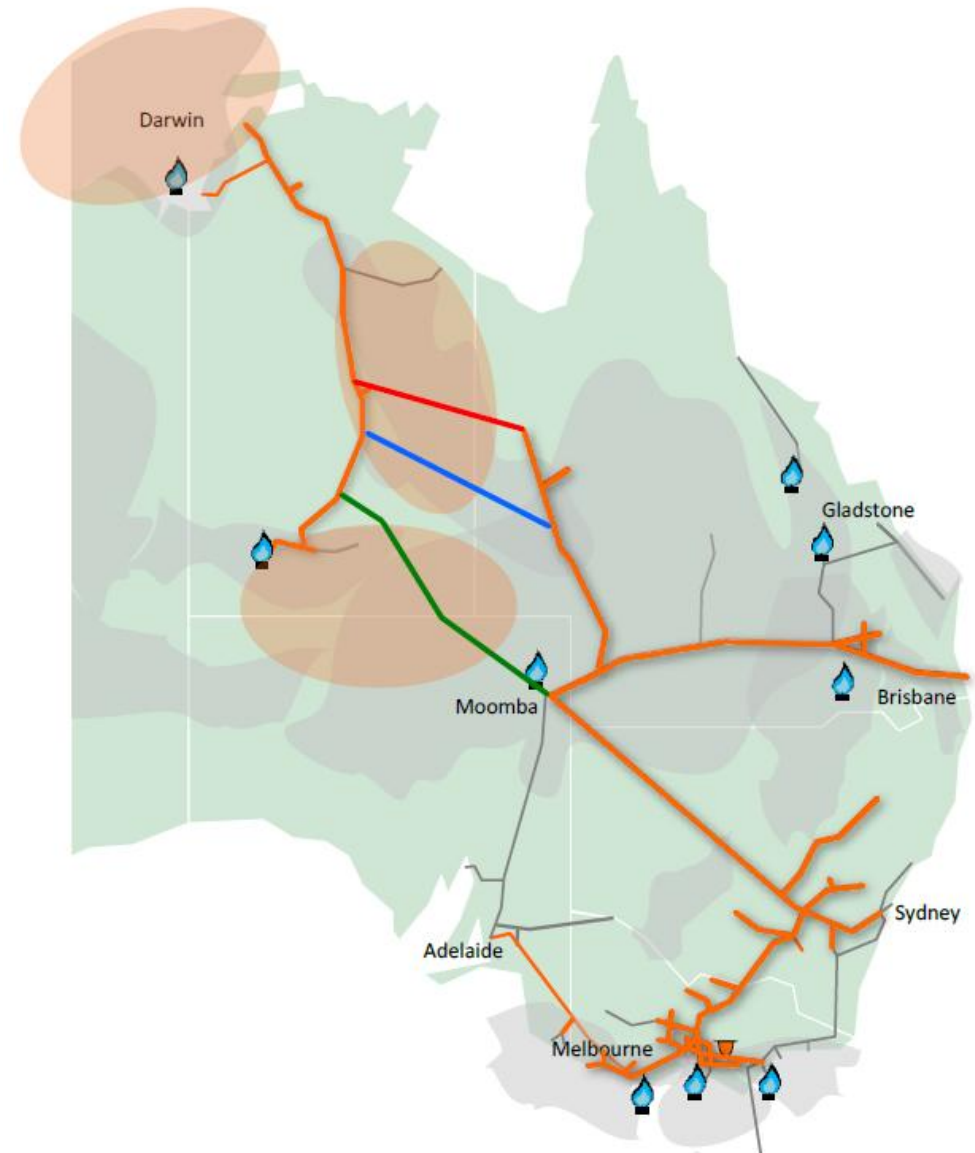


- ▶ Granted Major Project Status by the NT Government
- ▶ MOU signed between NSW and NT Governments
- ▶ Private sector bidding process commenced on 13 Nov 14
- ▶ Federal Government support:

*“A pipeline could...provide an opportunity for new suppliers to unlock Australia’s large unconventional gas resources across central and northern Australia, helping to build a more dynamic and secure national energy market.”*

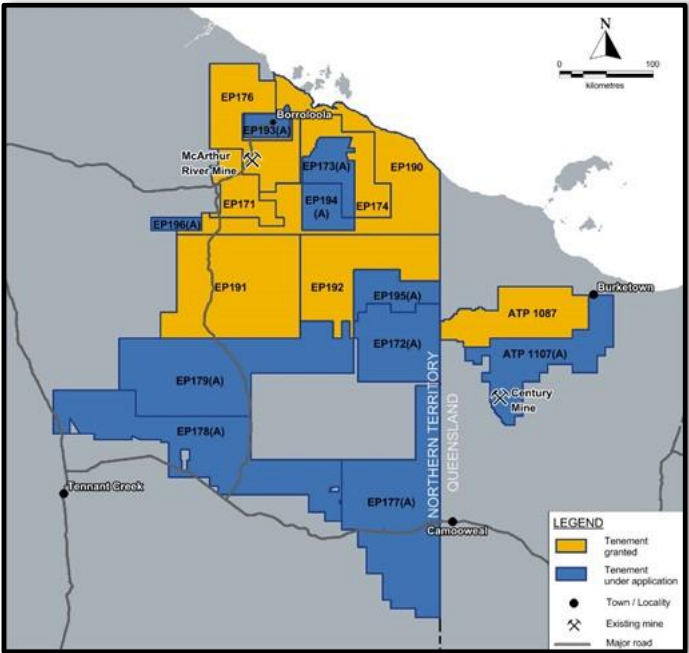
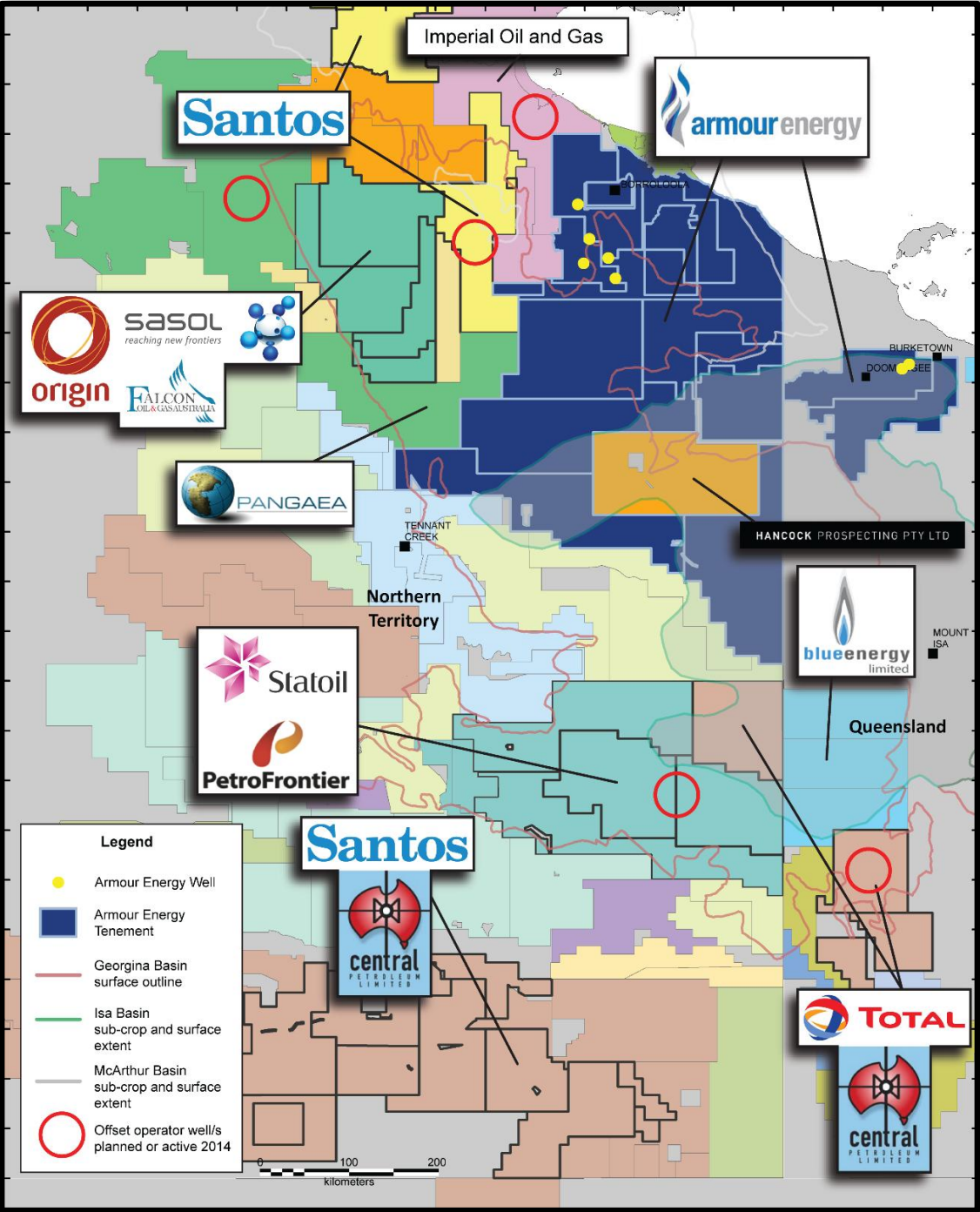
(Federal Industry Minister Ian Macfarlane)

## APA proposed NT Pipeline Routes



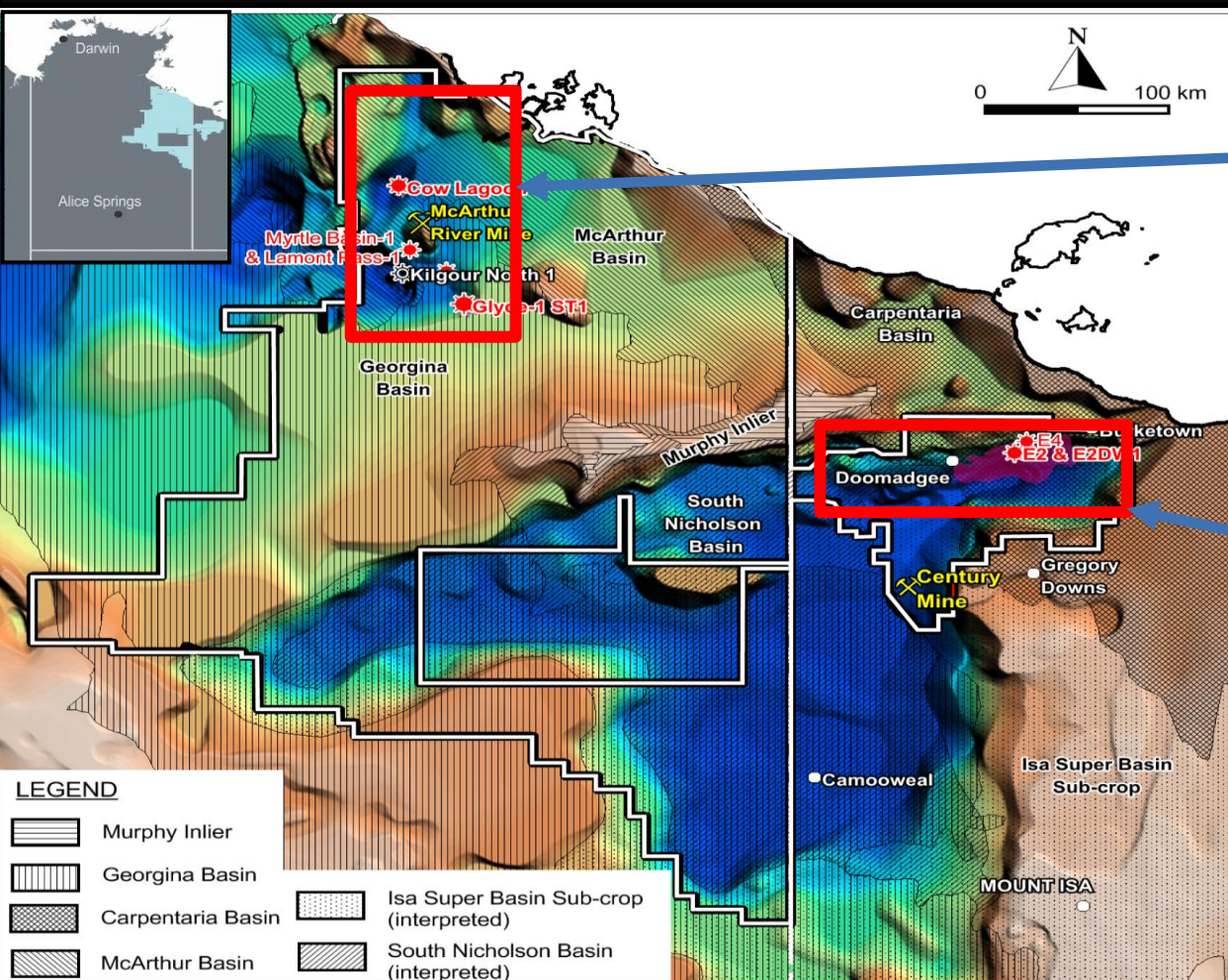


# Major players have already started to move into the Territory



Armour's NT and QLD tenements granted (yellow) and under application (blue)

# Tenure covers multiple sedimentary basins across QLD and NT; high quality and liquids potential



## Prospective resources <sup>(1)</sup>:

13.0TCF gas  
1,252 MMbbl condensate

## Contingent resources (Bcf) <sup>(2)</sup>:

1C	2C	3C
2.4	6.0	10.3

## Prospective resources <sup>(1)</sup>:

18.7TCF in ATP1087\*

## Contingent resources (Bcf) <sup>(2)</sup>:

1C	2C	3C
33.1	154.4	364.0

<sup>(1)</sup> Best estimate prospective resource: 13.0TCF in EP171/EP176, 18.7TCF in ATP1087, MBA 2012 (excludes Riversleigh Shale)

<sup>(2)</sup> SRK Consulting, Nov 2013 and July 2014

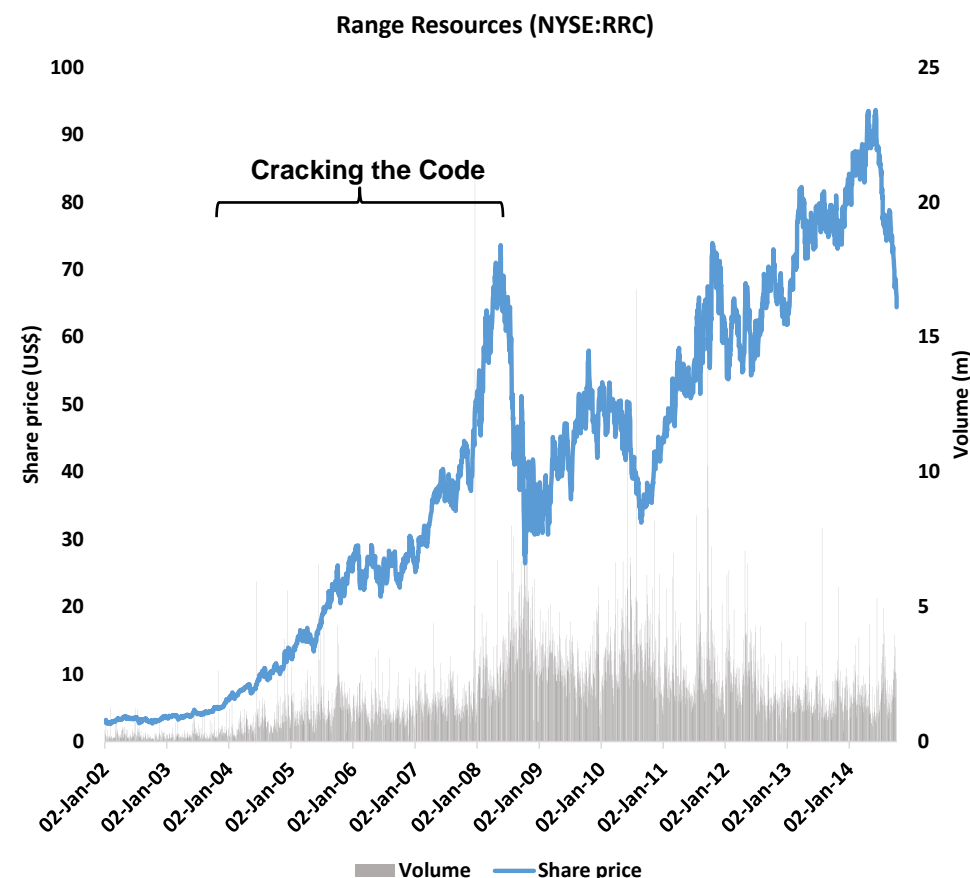
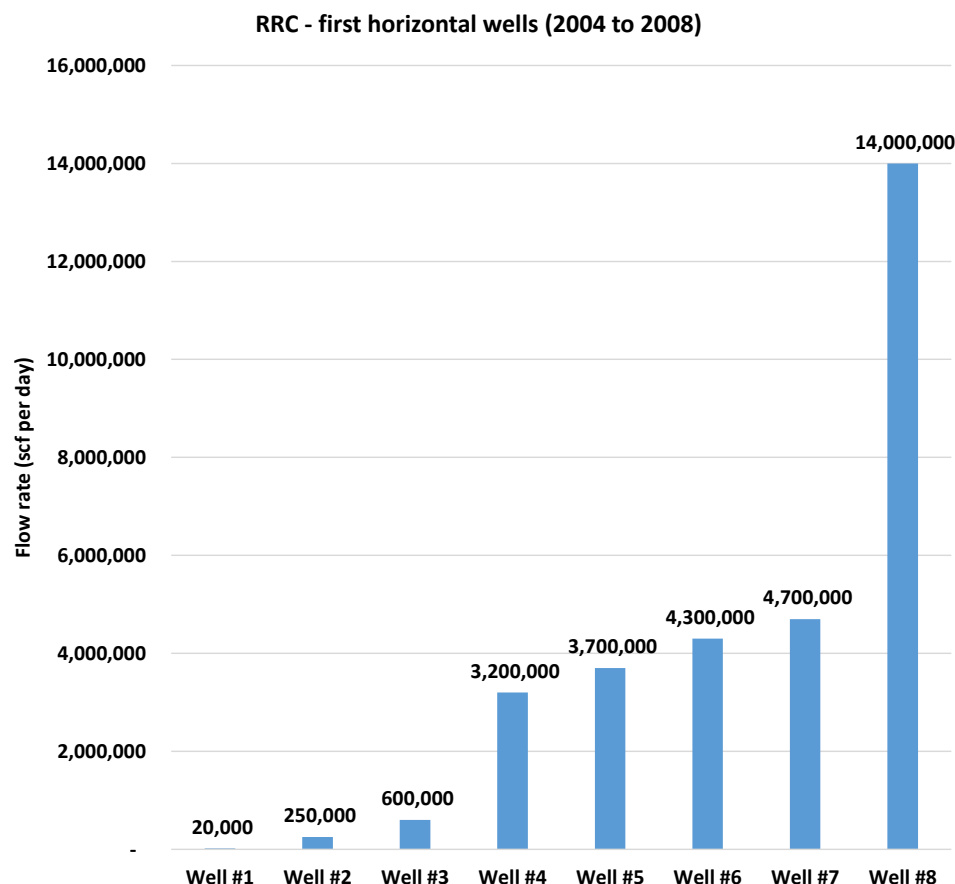
Cautionary statement: The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal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



Armour is building a track record of exploration success with low social impact and prudent HSE management



Range Resources pioneered the Marcellus shale, which now produces more shale gas in the US than any other play.



Source: Range Resources (Range’s Path to Discovery and Commercialisation of the Marcellus Shale – The Largest Producing Gas Field in the US, Jeffrey Ventura (CEO), 29 July 2013)



# QLD ATP1087 results indicate very strong shale play potential

- ✓ Large volumes of gas
  - >18.5 TCF prospective resource<sup>(1)</sup>
  - 364 BCF 3C over 64 km<sup>2</sup><sup>(2)</sup>
- ✓ Total organic carbon (TOC) content is world class
- ✓ Excellent gas composition
- ✓ Brittle (fraccable) shales
- ✓ Stacked play
- ✓ Gas on - and off structure
- ✓ Multiple, large shale fairways
  - Lawn 1,500 km<sup>2</sup>
  - Riversleigh 4,000 km<sup>2</sup>
- ✓ At favourable depth intervals
  - 1,500 – 3,500m

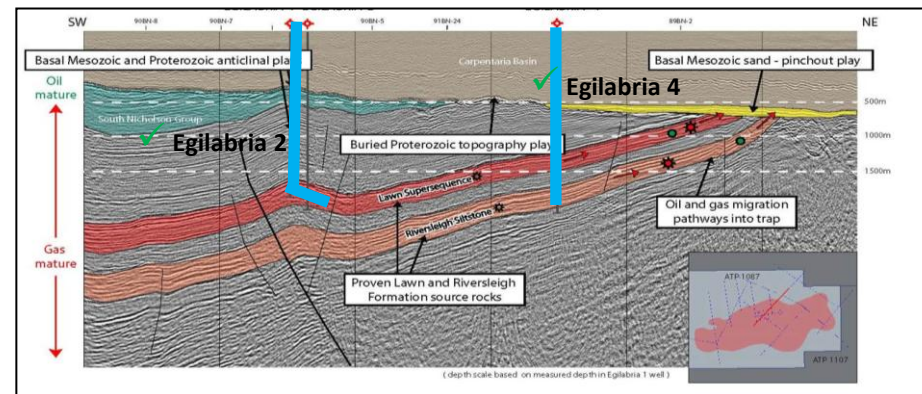
1C	2C	3C
33.1	154.4	364.0

(2) (1) Best estimate prospective resource: 18.7 TCF in ATP1087, MBA 2012 (excludes Riversleigh Shale)  
(2) SRK Consulting, July 2014

Typical min. TOC for viable shale play	World class TOC eg. Marcellus Shale (USA)	Armour Energy TOC Lawn/Riversleigh Shale
>2%	>5%	Up to 11%

Methane	Ethane	CO <sub>2</sub>	Helium	Other inerts
90%	0.5%	2%	1% <sup>(1)</sup>	6.5%

(1) Gas isotubes taken while drilling showed **up to 6% helium**



Cautionary statement: The estimated quantities of petroleum that may potentially be recovered by the application of a 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.

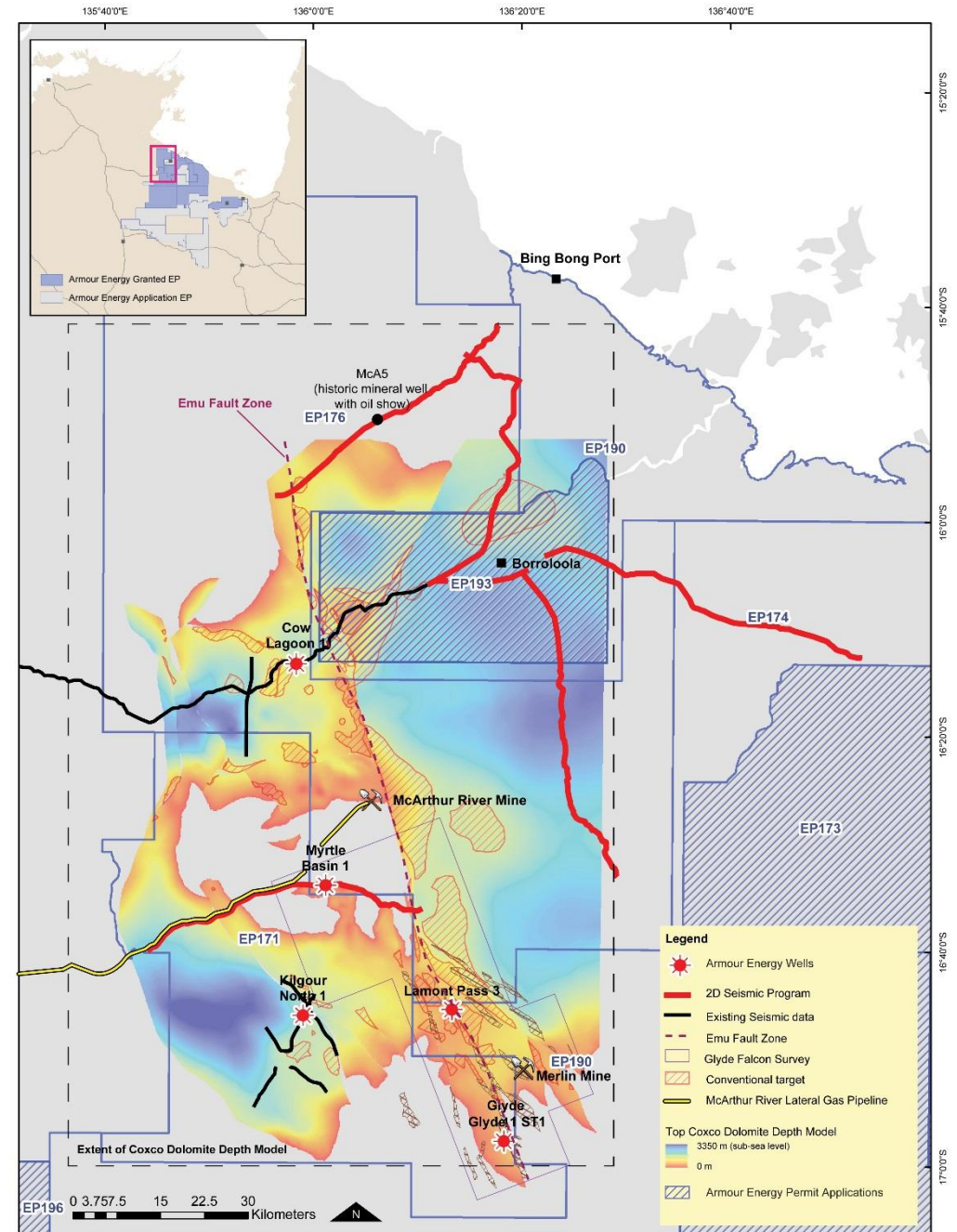


## Conventional play:

- Encouraging results from DCIP resistivity survey – potential for cost effective de-risking of play along Emu fault
- Plans going forward include further DCIP work followed by drilling a number of Glyde-1 like targets.

## Unconventional play:

- Multiple large potential unconventional oil and gas depot centres identified
- Planned 2D seismic work for 2015 will allow to pick drilling targets to test multiple shale formations.

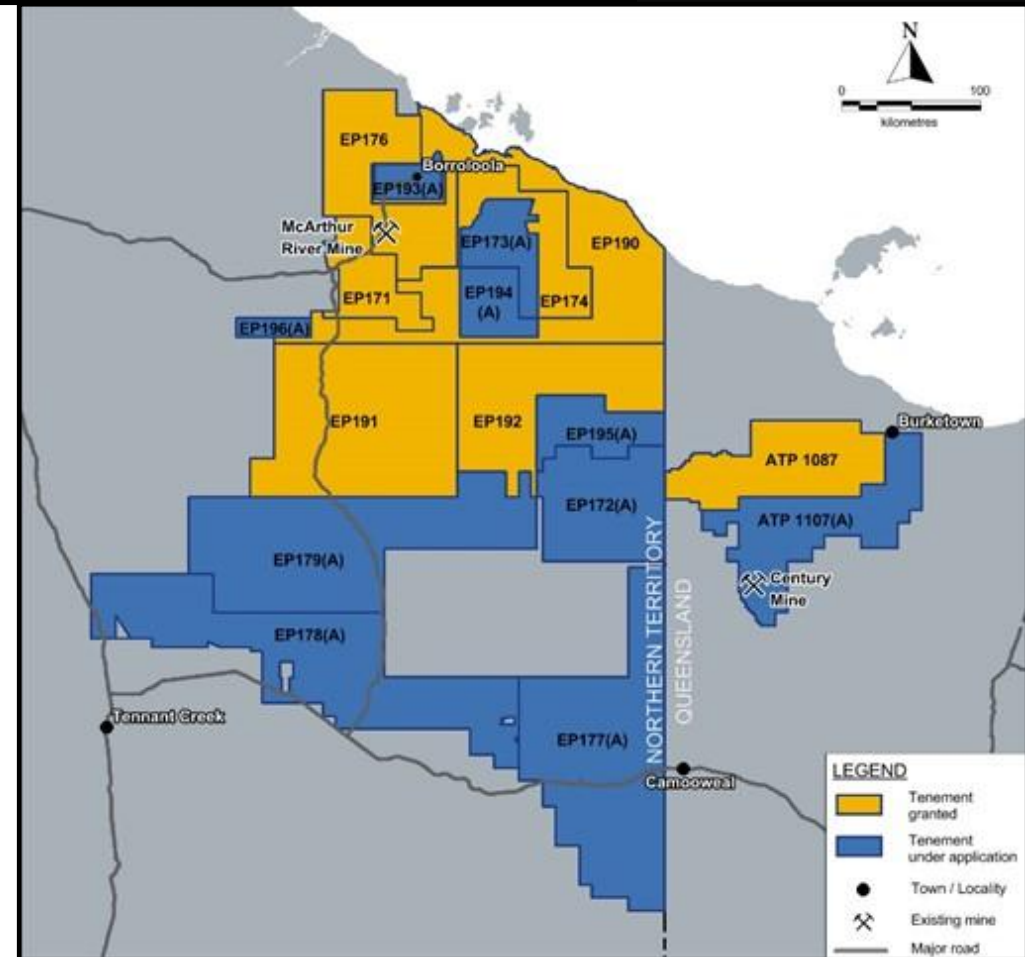


- ▶ G&A<sup>(1)</sup> costs reduced by 45% compared to Nov '13
- ▶ Cash on hand at 30 Sept 14 was \$4.2m
- ▶ Potential for a substantial R&D tax credit
- ▶ No material share issues since IPO in 2012
- ▶ Recent engagement with major shareholders positive for ongoing support
- ▶ Strategy remains to fund future activity programme through a farmout

<sup>(1)</sup> G&A includes overheads and administration costs (office rental, travel etc), director fees, fees to consultants, employment expenses, insurances, marketing costs and regulatory expenses (accounting fees, ASX fees, share registry fees).

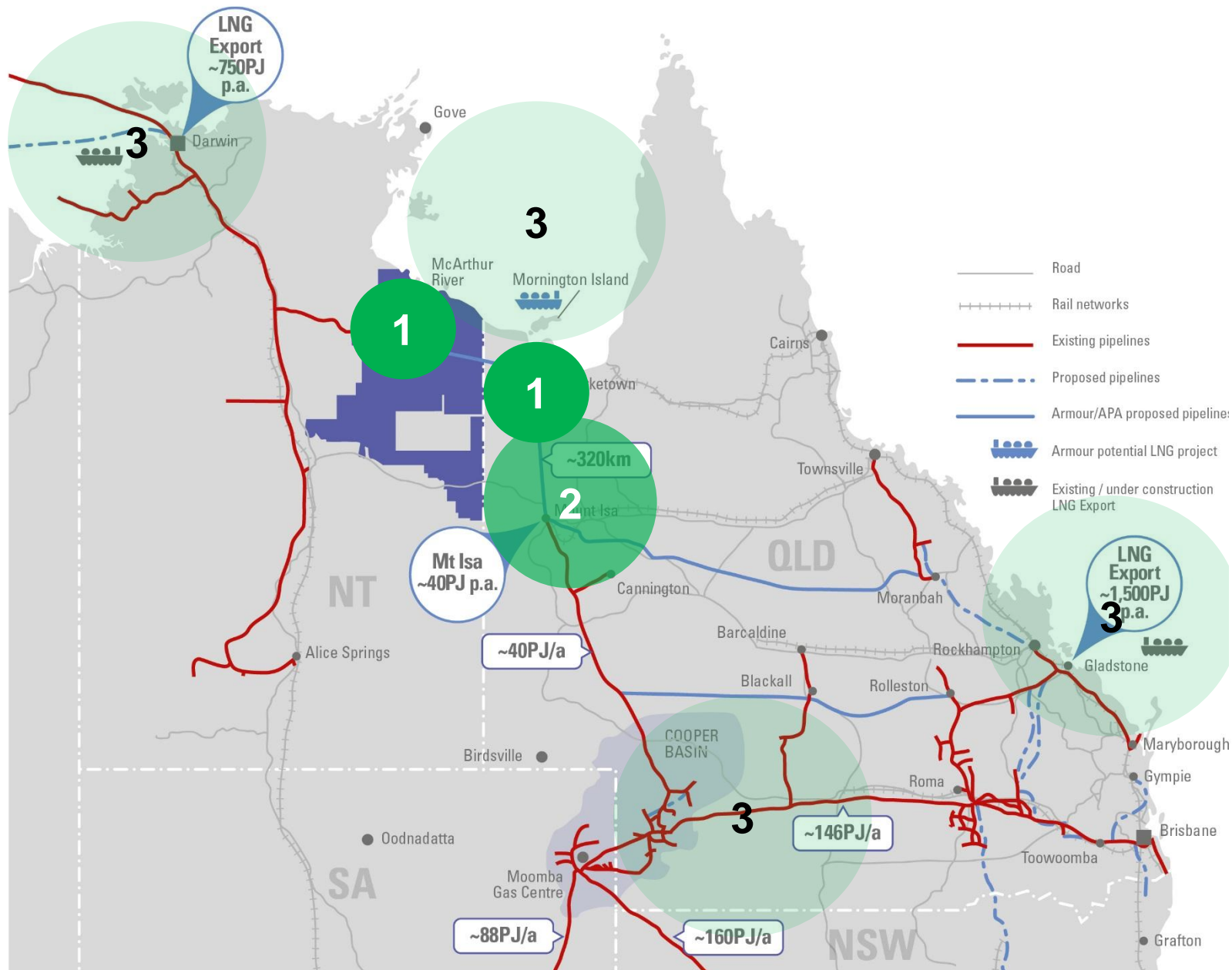
# Maintaining Armour's tenements in good standing

- ▶ Total of 19 oil and gas tenements
  - 15 in NT, 2 in QLD and 2 in VIC
  - 63,373 km<sup>2</sup> granted QLD / NT (46%)
- ▶ Queensland
  - Positive government tenure reforms
  - ATP1087 extended to 31/12/2018
  - ATP1107(A) granting in progress
  - Work programme flexibility
- ▶ Northern Territory
  - Strong government support for industry
  - All tenements in very good standing
  - EP193(A) granting in progress
- ▶ Victoria
  - Waiting for “Moratorium” on onshore exploration to be lifted



Armour's NT and QLD tenements

# Staged commercialisation, short and long term optionality







Thank you

Q&A

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