armour energy

ANNUAL REPORT 2015

TABLE OF CONTENTS

CORPORATE INFORMATION

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CHAIRMAN'S REPORT

Dear Shareholder

As you will be aware, the Australian oil & gas exploration industry has continued to weather an extended period of challenges, including Victorian Government drilling and well-stimulation bans, aggressive lobbyist actions and poor stock and commodity market conditions. In the face of these on-going issues, Armour has focused on striking a balance between continuing to advance its exploration and business strategies whilst maintaining a healthy working capital position by renegotiating its work program commitments and seeking a joint venture partner.

Recently Armour executed a Letter of Interest (LOI) with American Energy Partners (AEP), for AEP to apply state of the art US management, exploration and development strategies to unlock 21.5 million acres of Armour's 34 million acre McArthur Basin Northern Territory exploration project. Subject to definitive agreements being entered into, AEP is to spend US$100 million on work programs over a maximum of 5 years in exchange for a 75% working interest in the agreed tenements. Full details are outlined in the Review of Operations.

The entry of AEP into the LOI with Armour vindicates Armour's view that the McArthur Basin represents one of the world's great opportunities for the discovery of a new frontier oil and gas province. Elsewhere in the world, the organic rich Proterozoic Basins in Oman and Siberia host several multi-billion barrel fields. In contrast, the McArthur has not really been touched. The AEP team built Chesapeake Energy, now a household name in the US oil and gas industry, and Armour fully expects AEP to apply the same effort to the McArthur Basin, and deliver the technical outcomes for which they are renowned.

In a broader sense, Armour continues to advocate that the domestic east-Australian market for gas is heading towards a 2016-17 supply shortage. The unwillingness of politicians and communities to exploit and produce from known gas deposits closer to populated east coast regions continued to play into Armour's strategy of exploring a provincial position in a low-population region with anticipated access to domestic pipelines (via Mt Isa) or export markets (via the northern or eastern coasts). In this regard the Company will be seeking to continue to build on its agreement with APA to ultimately install gas pipelines to effect the delivery of up to 330 Petajoules per annum to Queensland customers and Gladstone based LNG producers.

The tender process associated with the Northern Territory Government's proposed North East Gas Interconnector (NEGI) pipeline is nearing the selection of a preferred tenderer and pipeline route. This pipeline will be a strong enabler for the gas industry in the NT and Armour in particular to transport gas to the east coast for domestic and or export. Given the much lower environmental impact and the much lower costs of the northern route vs the southern route, it is expected that, if the pipeline goes ahead, the northern route will be selected. If adopted, the northern pipeline route is likely to traverse Armour's tenement position, further strengthening Armour's commercial position and value. Gas is the world's most compressible, transportable and politically and environmentally acceptable form of fossil energy and we believe that the urbanisation of half of the world's population over the next 30 years will continue to fuel a demand for gas that will outstrip supply.

As I write, Armour has received an unsolicited, hostile takeover bid from Westside Corporation Limited, a wholly owned subsidiary of Landbridge Group Co Ltd, a Chinese owned company. The offer is highly opportunistic and was delivered in the midst of Armour's rebuilding strategy. The offer is conditional on the AEP deal not proceeding, which in my view underlines the desirability of those assets and the value of the AEP deal to Armour. Accordingly, we urge you to take no action in relation to the offer at this time. Armour will separately write to you in relation to the bid.

I would like to take this opportunity to acknowledge the efforts and dedication of my fellow Directors and the Company's former and current staff during a challenging period within the industry. I remain confident that the Company faces an exciting period ahead. Once again I wish to thank you, as Armour's Shareholders, for your support and faith in our ability to ultimately deliver on Armour's strategy to emerge as a significant Australian gas production company.

Nicholas Mather
Executive Chairman

REVIEW OF OPERATIONS

Company Strategy

Armour Energy 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 Energy. Today's business environment with strong domestic and global demand for gas, domestic 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 Energy'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.

The Company 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, for gas and associated petroleum liquids.

Armour Energy will progress exploration of its 133,000 square kilometres (33 million acres) tenement area while maintaining a prudent approach to capital management, low-cost, high value work programs and partnering on appropriate terms. Exploration will focus on staged de-risking of large unconventional gas and liquids plays while pursuing early cash flow opportunities.

The experienced Board of the Company includes three past Directors of Arrow Energy. The Company's technical and commercial team includes a range of industry experts and seasoned professionals who have been selected to help transform Armour Energy into a significant gas exploration and development company.

Highlights

- Queensland tenement ATP1087:
    - o Third party independent certifier estimates Contingent Resources relating to the Lawn Shale Formation in Egilabria 2DW1 of 364 BCF (3C); 154 BCF (2C); 33 BCF (1C) (SRK Consulting, July 2014);
    - o Egilabria 2 DW1 well flowback recovery and testing operations were carried out, and the formation is believed by Armour to be part of the most promising shale gas play in Australia to date;
    - o Ongoing analysis of the Lawn and Riversleigh shales shows world class Total Organic Carbon (TOC); and
    - o Memoranda of Understanding (MOU) signed for gas supply to both MMG Century's operations and Aeon Metal's Walford Creek project in North West Queensland.
- Northern Territory tenements:
    - o A 9km^2 DCIP 3D geophysical survey was conducted within the Glyde Sub-Basin;
    - o Emerging Tawallah Group source rock play in the McArthur Basin of the Northern Territory.
- Victoria (JV with Lakes Oil):
    - o Drilling of conventional well Otway-1 has been postponed due to the Victorian onshore drilling moratorium.
- Ripple Resources:
    - o Armour's wholly owned subsidiary focused on minerals exploration and development within Armour's tenement areas;
    - o Approximately 20,000km^2 of prospective exploration licenses obtained;
    - o Potential for zinc, lead, copper and other base metals; and
    - o Synergies for Armour and Ripple include dual discovery potential in some areas, low cost exploration for petroleum and minerals simultaneously, innovative (petroleum) techniques for mineral exploration and mitigation of overlapping tenure risk.
- General:
    - o Armour's application for an Advance Finding under the Industry Research and Development Act 1986 was approved, resulting in a rebate of \$9.39 million (\$9.1 million net of costs); and
    - o Armour was awarded preferred tenderer status for Queensland Petroleum Land Releases 2014-1-2 and 2014-1-3.

REVIEW OF OPERATIONS

General

ADVANCED FINDING UNDER THE INDUSTRY RESEARCH AND DEVELOPMENT ACT 1986

Armour Energy has received a cash rebate of $9.39 million ($9.1 million net of costs). As announced on 14 January 2015, Armour's application to Ausindustry for Advance Finding under the Industry Research and Development Act 1986 ("the Act") was approved by AusIndustry entitling the Company to a cash rebate of expenditure incurred during the 2014 financial year.

As a result of the Advance Finding, Armour is also entitled to make further claims under the Act for R&D expenditure relating to eligible activities in respect of the 30 June 2015 and 2016 financial years.

ATP1192 AND ATP1193

Armour was successful in its tender for Queensland Petroleum Land Releases (PLR) 2014-1-2 and 2014-1-3, which are located to the southwest of the Company's existing Queensland tenement position ATP1087 and ATP(A)1107 (see Figure 1). These PLR's are now known as ATP's 1192 and 1193.

The two tenements increase Armour Energy's acreage position by about 5,400 km^2 (1.3 million acres).

From work done to date in its existing permits, Armour believes that prospective Isa Super-Basin sediments continue to the southwest, underlying both ATP's 1192 and 1193, and continue westward into the Company's Northern Territory tenements. Both the Lawn Shale and Riversleigh Shales are believed to be present.
There are various synergies that exist in developing gas resources in ATP1087 and ATP(A)1107 and potential resources within ATP's 1192 and 1193.

Native Title Agreements and relevant environmental clearances will be required before Armour Energy can be granted an exploration permit over the preferred tender areas.

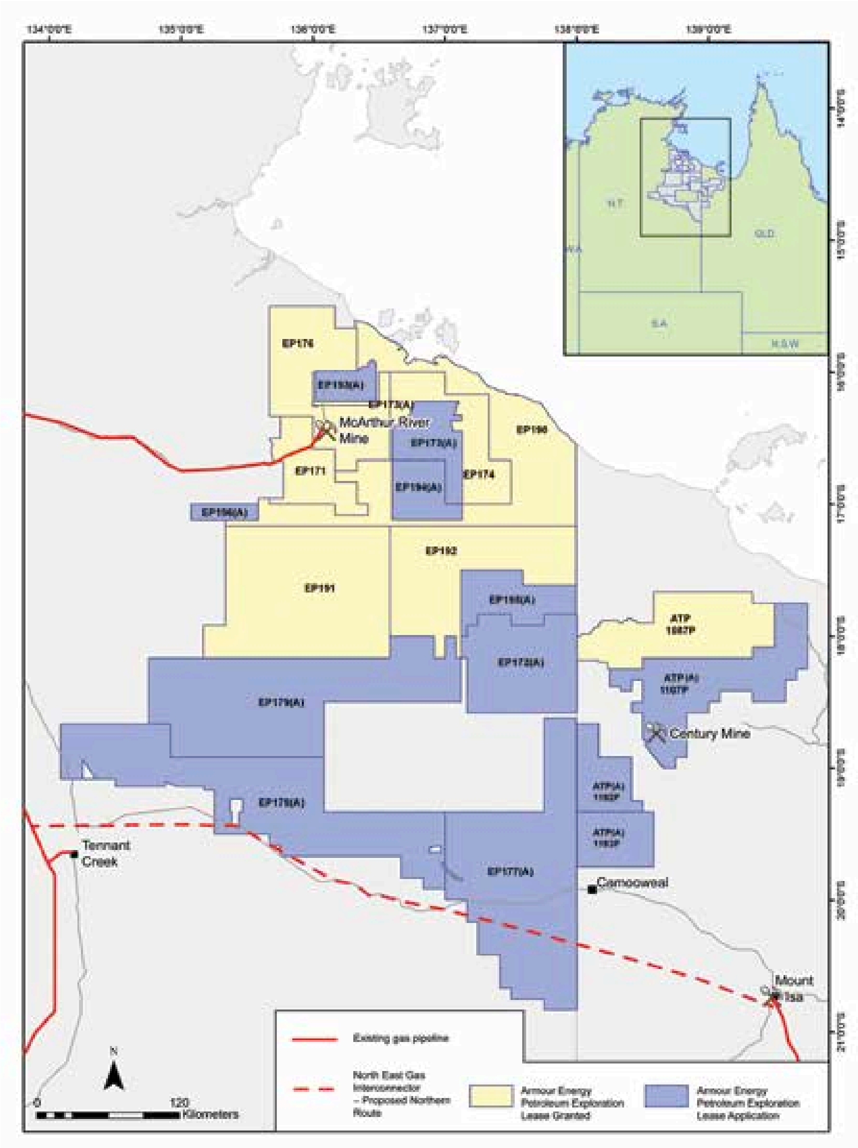

Figure 1: Location Map – PLR 2014-1-2 and 2014-1-3 in Queensland

REVIEW OF OPERATIONS

Queensland

TENEMENT ATP1087

Third party independent certifier estimated Contingent Resources relating to the Lawn Shale Formation in Egilabria 2DW1 of 364 BCF (3C); 154 BCF (2C); 33 BCF (1C)

As reported in August 2013, the Egilabria 2 DW1 (lateral) well was cased and hydraulically stimulated in the Lawn Formation in ATP1087. Armour Energy has a 100% working interest in ATP1087. The locations of ATP1087 and the Egilabria 2 DW1 well are shown in Figure 2.

During the flowback of stimulation fluids at Egilabria 2 DW1, the Lawn Formation produced gas at surface comprising very high methane content, together with ethane, helium, other inert gases and very little CO^2 and other inert gases. Gas production through an on-surface separator commenced after recovery of approximately 45% of the stimulation fluids.

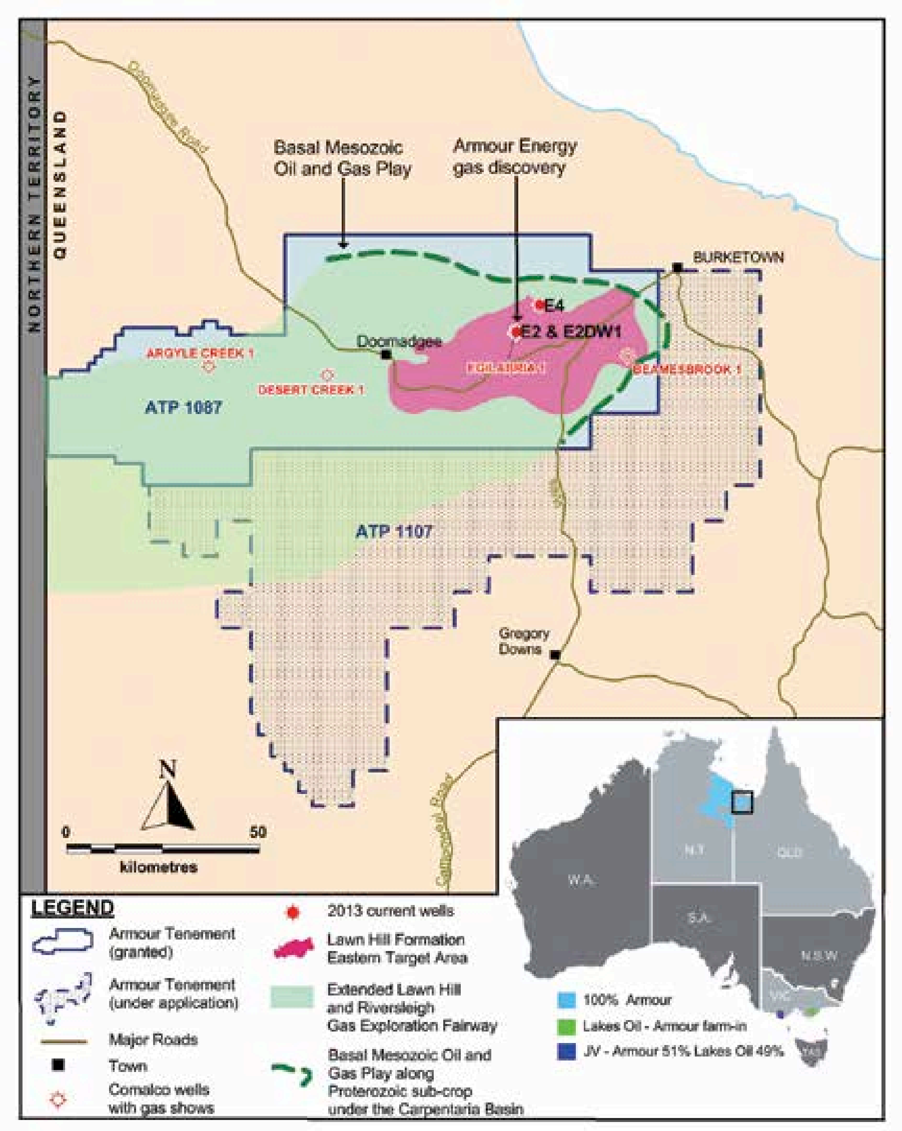

Figure 2: Map of ATP1087

REVIEW OF OPERATIONS

SRK Consulting has provided an independent assessment of the Egilabria 2 hydraulically stimulated DW1, Lawn Formation, Contingent Gas Resource Estimation, ATP1087 as of July 2014. The results of this assessment are set out below in Table 1. The 3C Contingent Resource of 350 PJ covers an area of 64 km^2 around the Egilabria 2 well. The entire Lawn Shale "fairway" is estimated to cover 1,500 km^2 (see pink area in Figure 2) within ATP1087.

CATEGORY	NET GAS RESOURCES (LESS FUEL AND FLARE 5%)	
	BCF	PJ (1)
Total Proved (1C)	33.1	31.8
Total Proved + Probable (2C)	154.4	148.5
Total Proved + Probable + Possible (3C)	364.0	350.1

Table 1: Egilabria-2 DW1 Lawn Hill Formation, Contingent Gas Resource Estimation, ATP1087 (SRK Consulting)

Egilabria 2 flowback recovery and testing operations were carried out, and the formation is believed by Armour to be part of the most promising shale gas prospect in Australia to date.

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.

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 after 29 September 2014, with continuous gas flaring observed (Figure 3). 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 4). 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.

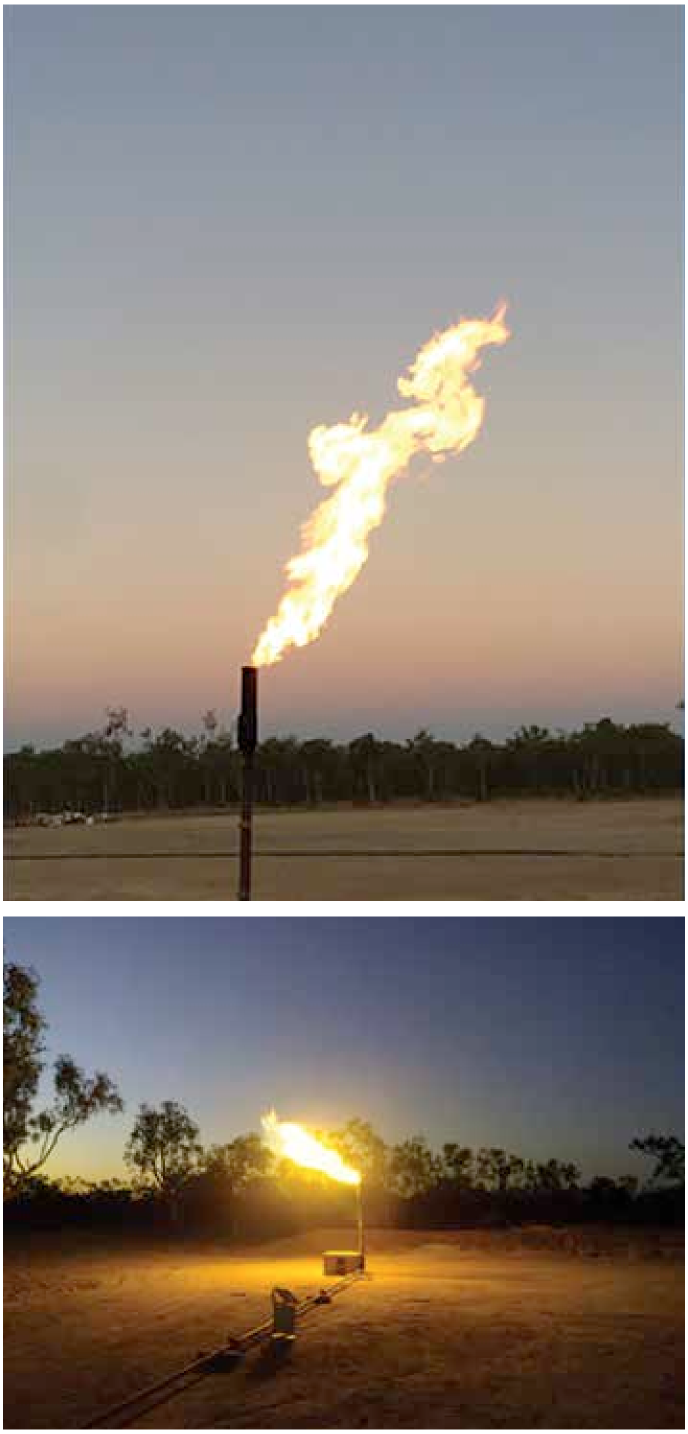

Figure: 3 Egilabria 2 well – ATP 1087, Queensland on 1 Oct 2014 (top) and 8 Oct 2014 (above).

REVIEW OF OPERATIONS

Figure 4: 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. This is believed to be related to sudden pressure reduction as a result of the testing conditions at the time.

The Lawn Shale is present in Egilabria 2 between depths of 1,583 and 1,720 metres, at 137 metres thick, and hosts up to 8% Total Organic Carbon (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.

Ongoing analysis of the Lawn and Riversleigh shales shows world class Total Organic Carbon (TOC).

The conclusions of detailed Source Rock Analysis (SRA) has been consistent with Armour's view that the Lawn and Riversleigh Formations within the Isa Super-Basin of Northern Australia have amongst the highest Total Organic Carbon (TOC) content of any shale play in Australia. Total Organic Carbon (TOC) is one of the key measures for a shale formation to be economically viable as it provides a measure for the capacity of the rock to generate hydrocarbons. A typical minimum TOC required for a shale is 2%. World class TOCs, such as seen in the commercial Marcellus Shale in the USA, are in excess of 5%. Both the Lawn and Riversleigh shale formations show sweet spots well in excess of these numbers with TOCs recorded up to 11%. Armour is very encouraged by these results.

Gas samples taken from the separator during the flow back of Egilabria 2 lateral were fully analysed and show a very high methane content (90%), ethane (0.5%) and very little CO^2 (2%), helium (1%) and other inert gases (6.5%). This low CO^2 content is considered very positive as it alleviates any requirements for major gas processing facilities during the development phase, including CO^2 sequestration facilities. Additionally from a different sampling method, several isotubes of gas taken while drilling contained up to 6% helium.

During air drilling operations at Egilabria 2 and Egilabria 4, several pressure sealed canisters were filled with Lawn and Riversleigh cuttings as an exercise to understand if the shales would desorb gas. After several days, the canisters were reported to have a range of pressure values as high as 100psi. The canistered gas samples were taken from the high TOC intervals in the Lawn and Riversleigh shales.

Gas samples were drawn off the Egilabria 4 canisters for compositional analysis. Average nitrogen and oxygen corrected measurements (a lab technique that attempts to remove atmospheric contamination from the sample values) contained 83% methane which is similar to the 90% methane gas sample recovered from the separator that was purged of atmospheric contamination prior to post-stimulation gas sampling.

During sidewall coring operations at Egilabria 4, three sidewall cores were canistered and gas samples from those underwent isotopic analysis. The results of which strongly suggests the gas is thermogenic in origin. This provides evidence that the gas is derived through burial and heating of the original organic material that is now the rich TOC found in these shales.

CONCLUSIONS

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 (AUS $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. 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.

Memorandum of Understanding (MOU) signed for gas supply to both MMG Century's operations and Aeon Metal's Walford Creek project in North West Queensland

MOU WITH MMG CENTURY

Armour signed a non-binding Memorandum of Understanding ("MOU") 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.

MMG's Century Lawn Hill mine site is located on Armour Energy's 100% owned ATP1107 which covers 7,943km^2 and is pending grant by the Queensland Government. ATP1107 lies adjacent and south of Armour's 100% owned ATP1087 which covers 7,138 km^2 (Figure 5).

The initial stages of the MOU will involve a scoping study by the parties to evaluate project feasibility and

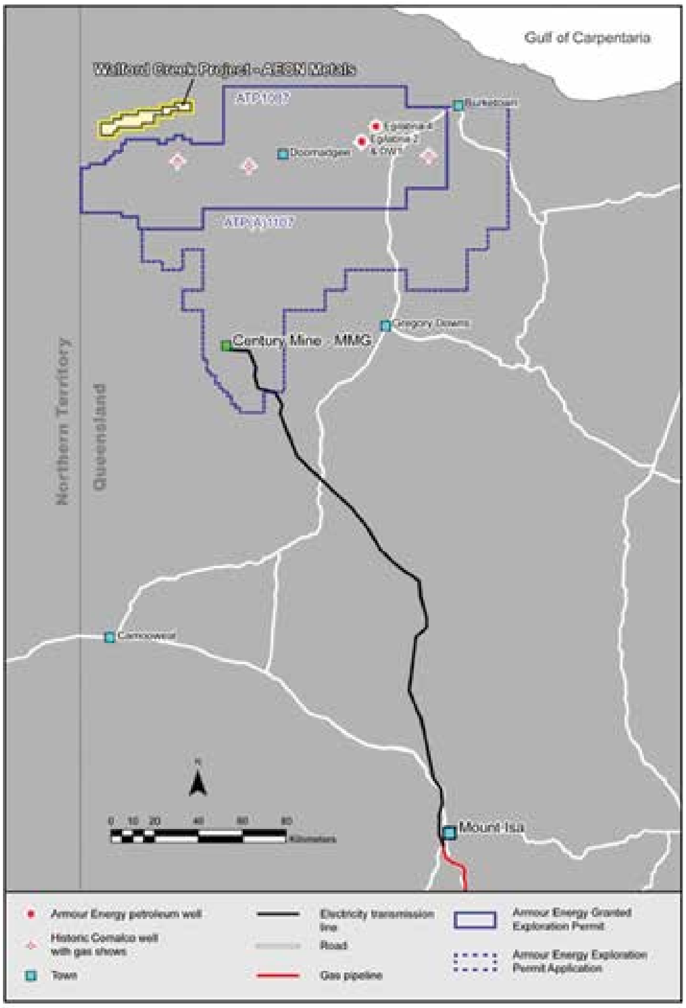

Figure 5: Location of MMG Century Mine and Aeon Metals' Walford Creek project

economics of gas supply for potentially expanded on site power generation at MMG's Lawn Hill site, or development of new power generation facilities either on the Century mine lease or at greenfield sites between the mine and Mount Isa. Scenarios to be evaluated will include for MMG's current and possible future needs and potential third party customers' requirements.

The study will evaluate gas supply volumes of up to 7-9 Petajoules per annum plus an overlay for potential third party requirements. Pricing will be determined so as to achieve a minimum return on invested capital for both Armour and MMG while providing "most favourable" price status to MMG compared with other gas sales contracts signed by Armour (other than contracts with upstream equity participants). Should Armour farm-out interests in its tenement to third parties, gas supply to

REVIEW OF OPERATIONS

MMG would relate to Armour's equity gas only, unless a future upstream partner elects to participate pro rata in the sale of gas to MMG.

The Century ore body, one of the most exciting base metals discoveries in Australia, has produced over 6 million tonnes of zinc in concentrate to date. While last production from the Century open pit is expected during 2015, MMG is continuing to investigate a number of options to further utilise its extensive infrastructure in the Gulf. An important driver of the feasibility of future projects for MMG is cost and availability of energy.

MOU WITH AEON METALS

Armour has entered a Memorandum of Understanding ("MOU") with Aeon Metals Limited ("Aeon Metals") relating to gas supply from Armour's exploration tenements in North West Queensland to Aeon Metals' Walford Creek Project.

Aeon Metals' Walford Creek Project site is located approximately 10km North West from Armour Energy's 100% owned ATP1087 which covers 7,138 km^2 (1.8 million acres) (Figure 5). The Walford Creek project has a clear pathway to project development with the potential for an open pit mine development of world scale. The 2014/2015 drilling program at Walford Creek has identified and delineated extensions of the existing mineralisations. Metallurgical studies are underway form part of the mining parameters that will ultimately support a feasibility study.

The MOU relates to gas supply volumes of 1-2 Petajoules (or approximately 1-2BCF) per annum. Pricing will be determined to ensure an acceptable return on invested capital for both Armour and Aeon Metals. In the event that Armour farms out its interests in its tenement to third parties, gas supply to Aeon Metals would only relate to Armour's retained equity in the gas project, unless a future upstream partner elects to participate pro rata in the sale of gas to Aeon Metals.

Northern Territory

TENEMENTS EP171, 174, 176, 190, 191, 192

A 9km^2 DCIP 3D geophysical survey conducted within the Glyde Sub-Basin

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.

Armour conducted a 3D geophysical survey, using DC resistivity and IP chargeability (DCIP) technology over an area of 3km x 3km (9km^2) centered 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.

Emerging Tawallah Group source rock play in the McArthur Basin of the Northern Territory.

The Tallawah group source rock play is newly recognised, and could potentially add very significant oil and gas resources to Armour's portfolio, beyond those previously identified by the Company.

The Tawallah Group source rocks are believed to underlie the McArthur Group (which includes the Barney Creek Shale) throughout EP176, extending east to the Queensland border and south across EP191. The extent of this newly recognised exploration play within Armour's permits is currently to be 52,000km^2.

A recent CSIRO study commissioned by Armour has confirmed oil and gas generative potential in two Tawallah Group shale horizons: the Woologorang and McDermott Formations. Core from a number of historic mineral wells, drilled within Armour's permit areas, were sampled and analysed. The results from this analysis have shown these formations contain good source rock in the oil to wet gas generative window, based on Total Organic

REVIEW OF OPERATIONS

Carbon (TOC) measurements (up to 7.7%) and organic geochemical markers. Another phase of sampling and analysis is underway which is expected to increase the understanding of these prospective horizons, and inform future exploration activities to appraise the potential.

Victoria

LAKES OIL JOINT VENTURE TENEMENT PEP 169

Armour has previously reported that it was waiting on formal governmental approval to drill conventional well Otway-1 in PEP169, Victoria.

The Otway-1 well is considered highly prospective and is in close proximity to the Iona gas processing plant and nearby producing fields. If successful, Armour believes Otway-1 could provide an early cash flow option for the Company.

In May 2014, the Victorian Coalition Government announced its decision to put a hold on work plan approvals for onshore gas exploration until more information is available including evidence from the water study, community views, and industry impacts.

As a result of this decision, approval to drill Otway-1 is expected during 2015. In the meantime, Armour Energy will continue to focus on its exploration activities in Northern Australia.

RIPPLE RESOURCES

Armour Energy's wholly owned minerals subsidiary Ripple Resources, is focused on mineral exploration and development within Armour's north Australian tenement areas, covering much of the Carpentaria Mineral Belt and its western equivalent over the Victoria River Downs Basin.

Approximately 20,000km^2 of exploration licenses have been obtained, of which approximately 30 per cent have been granted to date.

Exploration work undertaken during the reporting year, within Ripple Resources granted exploration permits includes:

- Regional modelling of prospective metal-bearing strata within the Tawallah Group;
- Interpretation of open-file and Armour Energy acquired geophysical survey data;
- Review of previous exploration work and relevant literature to Ripple's exploration areas;
- Mapping and interpretation of previous stream sediment and soil geochemistry work;
- Mapping of exploration targets, prospects and leads;
- CSIRO study of the mineralisation potential of the Wollogorang and McDermott Formations of the Tawallah Group.

*The 17 July 2012, Prospective Resource Estimate for the **Greater Cow Lagoon structure in EP 176** used in this report was compiled by Raymond L Johnson Jr, General Manager Exploration and Production for Armour Energy, who 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 report.*

*The 30 October 2012, Prospective Resource Estimate covering the **EP171 portion of the Glyde Sub-Basin** in the Northern Territory used in this report was compiled by Raymond L Johnson Jr, General Manager Exploration and Production for Armour Energy, who 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 report.*

*The Prospective Resource Estimates covering the **Barney Creek Shale in EP 171 and EP 176** in the Northern Territory used in this report were, where indicated, compiled by MBA Petroleum Consultants, and detailed in the Independent Expert's Report, Replacement Prospectus dated 20 March 2012 for Armour Energy (Chapter 9).*

*The 12 February 2013 Prospective Resource Estimate covering the **Coxco Dolomite in EPs 171, 176 and 190** used in this report was compiled by Raymond L Johnson Jr, General Manager Exploration and Production for Armour Energy, who 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 report.*

*The 24 April, 2013, Prospective Resource Estimates covering the **Coxco Dolomite in EPs 171, 176 and 190** and Contingent Resource Estimate covering Coxco Dolomite relating to Glyde 1 ST1, used in this report were compiled by DeGolyer and MacNaughton, who are 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 report.*

*The 26 November, 2013, Prospective Resource Estimate covering the **Coxco Dolomite in EPs 171, 176 and 190**, used in this report were compiled by SRK Consulting, who are 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 report.*

The estimated quantities of Prospective 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. Probabilistic volumes are reported in all cases. All Contingent and Prospective Resources are 100% to Armour Energy Limited.

DIRECTORS' REPORT

Your Directors submit their report for the year ended 30 June 2015.

Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Nicholas Mather
William (Bill) Stubbs
Roland Sleeman
Stephen Bizzell

NICHOLAS MATHER – EXECUTIVE CHAIRMAN

BSc (Hons,Geol), MAusIMM

Nicholas Mather's special area of experience and expertise is the generation of and entry into undervalued or unrecognised resource exploration opportunities. He has been involved in the junior resource sector at all levels for more than 25 years. In that time he has been instrumental in the delivery of major resource projects that have delivered significant gains to shareholders. As an investor, securing projects and financiers, leading exploration campaigns and managing emerging resource companies Mr Mather brings a wealth of valuable experience.

During the past three years Mr Mather has also served as a Director of the following listed companies:

- DGR Global Ltd*
- Aus Tin Mining Limited*
- Navaho Gold Ltd*
- Lakes Oil NL*
- SolGold plc, which is listed on the London Stock Exchange (AIM)*
- IronRidge Resources Limited, which is listed on the London Stock Exchange (AIM)*
- Bow Energy Ltd (resigned 11 January 2012)
- Orbis Gold Ltd (resigned 16 February 2015)

* Current Directorships

WILLIAM (BILL) STUBBS – NON EXECUTIVE DIRECTOR

LLB

Mr Stubbs is a lawyer of 35 years' experience and is currently the Chairman of DGR Global Ltd. He was the co-founder of the legal firm Stubbs Barbeler and has practiced extensively in the area of Commercial Law including Stock Exchange listings and all areas of mining law.

Mr Stubbs has held the position of Director of various public companies over the past 25 years in the mineral exploration and biotech fields. He is also the former Chairman of Alchemia Ltd, and Bemax Resources NL which discovered and developed extensive mineral sands resources in the Murray Basin. He was the founding Chairman of Arrow Energy NL which originally pioneered coal seam gas development in Queensland's Bowen and Surat Basins from 1998, and is now a world-wide coal seam gas company.

During the past three years Mr Stubbs has also served as a Director of the following listed companies:

- DGR Global Ltd*
- Lakes Oil NL*
- Coalbank Ltd (resigned 22 November 2013)

* Current Directorships

ROLAND SLEEMAN – NON EXECUTIVE DIRECTOR

BEng (Mech), MBA

Roland Sleeman has 34 years' experience in oil and gas as well as utilities and infrastructure. Mr Sleeman has served in senior management roles, including with Eastern Star Gas Limited as Chief Commercial Officer and AGL as General Manager of the Goldfields Gas Pipeline.

Mr Sleeman has extensive engineering and business experience including negotiation of gas sales agreements that provided a foundation for development of the North West Shelf Project, commercialisation of new gas and power station opportunities and management of major gas transmission pipeline infrastructure. Mr Sleeman has provided specialist commercial, regulatory and project development advice to both the public and private sectors.

Mr Sleeman has not served as a Director of any other listed company in the last three years.

DIRECTOR'S REPORT

STEPHEN BIZZELL – NON EXECUTIVE DIRECTOR

BComm, MAICD

Stephen Bizzell is the Chairman of boutique corporate advisory and funds management group Bizzell Capital Partners Pty Ltd.

Mr Bizzell was previously an Executive Director of Arrow Energy Ltd from 1999 until its acquisition by Shell and Petro China, for $3.5 billion in August 2010. He was instrumental in Arrow Energy's corporate and commercial success and its growth from a junior explorer to a large integrated energy company. He was also previously a Non-Executive Director of Bow Energy Ltd prior to its takeover by Arrow Energy Pty Ltd for $0.5 billion in January 2012. He has had further experience in the unconventional oil and gas sector as a Director of Dart Energy Ltd, Apollo Gas Ltd, Titan Energy Services Ltd and UIL Energy Ltd.

Mr Bizzell qualified as a Chartered Accountant and early in his career was employed in the Corporate Finance division of Ernst & Young and the Corporate Tax division of Coopers & Lybrand. He has had considerable experience and success in the fields of corporate restructuring, debt and equity financing, and mergers and acquisitions and has over 20 years' corporate finance and public company management experience in the resources sector in Australia and Canada with various public companies.

He is also a Director of Queensland Treasury Corporation.

During the past three years Mr Bizzell has also served as a Director of the following listed companies:

- Bow Energy Ltd (resigned 11 January 2012)
- Hot Rock Ltd (resigned 14 August 2014)
- Dart Energy Ltd (resigned 26 November 2014)
- Diversa Ltd*
- Renascor Resources Ltd* (formerly Renaissance Uranium Ltd)
- Stanmore Coal Ltd*
- Titan Energy Services Ltd*
- Laneway Resources Limited* (formerly Renison Consolidated Mines NL)
- UIL Energy Ltd*

*Current Directorships

As at the date of this report, the interests of the Directors in the shares and options of Armour Energy Ltd were:

	NUMBER OF ORDINARY SHARES	NUMBER OF OPTIONS OVER ORDINARY SHARES
Nicholas Mather	2,719,855	-
William (Bill) Stubbs	410,000	-
Roland Sleeman	60,000	-
Stephen Bizzell	1,310,000	-

Company Secretary

KARL SCHLOBOHM – COMPANY SECRETARY

B.Comm, B.Econ, M.Tax, CA, AICD

Karl Schlobohm is a Chartered Accountant with over 20 years' experience across a wide range of industries and businesses. He has extensive experience with financial accounting, corporate governance, company secretarial duties and board reporting.

He currently acts as the Company Secretary for ASX-listed DGR Global Ltd, Navaho Gold Ltd, AusTin Mining Ltd, LSE (AIM)-listed SolGold Plc and IronRidge Resources Limited. Mr Schlobohm was also a Director of Navaho Gold Ltd from February 2014 to October 2014.

Corporate structure

Armour Energy Ltd (the "Company") is a company limited by shares that is incorporated and domiciled in Australia. It was converted to a public company on 14 January 2011 and became an ASX-listed company on 26 April 2012.

Principal activities

The principal activities of the Company, and its subsidiary (the consolidated entity) during the financial year involved exploration for economically viable reserves of both conventional and unconventional natural gas and oil in both the Northern Territory and Queensland, and in the onshore Gippsland Basin in Victoria in joint venture with Lakes Oil NL.

Ripple Resources is a wholly owned subsidiary of the Company, and holds eleven granted EPM's (Exploration Permits for Minerals) in Queensland, within the area covered by ATP1087. In the Northern Territory, Ripple Resources holds three granted EPM's and twelve applications, covering a large number of Armour Energy's applications and tenements.

DIRECTOR'S REPORT

There was no significant change in the nature of the activities of the Company during the financial year.

Dividends

No dividends were declared or paid during the financial year or since the end of the year.

Review and results of operations

The loss after income tax for the Company, and its subsidiary (the consolidated entity) for the year ended 30 June 2015 was $6,575,074 (2014 restated: loss $6,668,943).

The Directors confirm that the period since the Company's admission on the Australian Securities Exchange, the Company has used its cash (and assets in a form readily convertible to cash) in a way consistent with its business objectives.

The review of operations for the year is discussed in the Annual Report under the heading "Review of Operations".

Significant changes in the state of affairs

In the opinion of the Directors, there were no other significant changes in the state of affairs of the Company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements of the Company for the financial year.

Future developments, prospects and business strategies

Planned developments in the operations of the Company and the expected results of those operations, as well the Company's corporate strategy in subsequent financial years have been discussed where appropriate under "Review and results of operations". There are no further developments of which the Directors are aware which could be expected to affect the results of the Company's operations and plans, other than information which the Directors believe comment on, or disclosure of, would prejudice the interests of the Company.

Environmental regulations and performance

The Directors have put in place strategies and procedures to ensure that the Company manages its compliance with environmental regulations. The Directors are not aware of any breaches of any applicable environmental regulations.

Proceedings on behalf of company

No person has applied to the Court under section 237 of Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

Remuneration report (audited)

This remuneration report for the year ended 30 June 2015 outlines the remuneration arrangements of the Company in accordance with the requirements of the Corporations Act 2001 (the "Act") and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for key management personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company, and includes the executive team.

The remuneration report is presented under the following sections:

1. Individual key management personnel disclosures
2. Remuneration policy
3. Non-Executive Director remuneration arrangements
4. Executive remuneration arrangements
5. Company performance and the link to remuneration
6. Executive contractual arrangements
7. Equity instruments disclosures
8. Other transactions with key management personnel

1. Individual key management personnel disclosures

Key management personnel

(i) Directors

Nicholas Mather	Executive Chairman
William (Bill) Stubbs	Non-Executive Director
Roland Sleeman	Non-Executive Director
Stephen Bizzell	Non-Executive Director

(ii) Executives

Robbert de Weijer	Chief Executive Officer
Chris Ohlrich	Chief Commercial Officer
Roger Cressey	Chief Operating Officer
Karl Schlobohm	Company Secretary
Priy Jayasuriya	Chief Financial Officer

Other than the above, there were no changes to KMP after reporting date and before the date the financial report was authorised for issue.

2. Remuneration policy

Armour Energy's remuneration strategy is designed to attract, motivate and retain employees and Non-Executive Directors by identifying and rewarding high performers and recognising the contribution of each person to the continued growth and success of the Company.

The Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors and the Executive team. The Board assesses the appropriateness of the nature and amount of remuneration of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum shareholder benefit from the retention of a high quality Board and Executive team. Such officers are given the opportunity to receive their base remuneration in a variety of forms including cash and fringe benefits. It is intended that the manner of payments chosen will be optimal for the recipient without creating undue cost for the Company. Further details on the remuneration of Directors and Executives are set out in this Remuneration Report.

The Company aims to reward the Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company. The Board's policy is to align Executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering long-term incentives.

In accordance with best practice corporate governance, the structure of Non-Executive Directors and Executive remuneration is separate and distinct.

3. Non-Executive Director remuneration arrangements

The board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the highest caliber, whilst incurring a cost that is acceptable to shareholders. The Company's specific policy for determining the nature and amount of remuneration of Board members of the Company is as outlined below.

The Constitution of the Company provides that the Non-Executive Directors are entitled to remuneration as determined by the Company in general meeting to be paid as to a fixed amount for each Director. Additionally, Non-Executive Directors are entitled to be reimbursed for properly incurred expenses.

If a Non-Executive Director performs extra services, which in the opinion of the Directors are outside the scope of the ordinary duties of the Director, the Company may remunerate that Director by payment of a fixed sum determined by the Directors in addition to or instead of the remuneration referred to above. However, no payment can be made if the effect would be to exceed the maximum aggregate amount payable to Non-Executive Directors. A Non-Executive Director is entitled to be paid travelling and other expenses properly incurred by them in attending Director's or general meetings of the Company or otherwise in connection with the business of the Company.

All Directors have the opportunity to qualify for participation in the Company's Employee Share Option Plan, subject to the approval of shareholders.

The remuneration of Non-Executive Directors for the year ended 30 June 2015 is detailed in this Remuneration Report.

4. Executive remuneration arrangements

The Company aims to reward the Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- align the interests of the Executives with those of shareholders;
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

The remuneration of Executives may from time to time be fixed by the Board. The remuneration will comprise a fixed remuneration component and also may include offering specific short and long-term incentives, in the form of:

- performance based salary increases and/or bonuses; and/or
- the issue of options.

The remuneration of the Executives employed by the Company for the year ending 30 June 2015 is detailed in this Remuneration Report.

5. Company performance and the link to remuneration

During the financial year, the Company has generated losses as its principal activity was exploration for economically viable reserves of both conventional and unconventional natural oil and gas. The closing share price for the company on the ASX as at 30 June 2015 was $0.045.

	SHARE PRICE AT 30 JUNE
2015	$0.045
2014	$0.155
2013	$0.220
2012	$0.275

As the Company is still in the exploration and development stage, the link between remuneration, Company performance and shareholder wealth is tenuous. Share prices are subject to the influence of oil and gas prices and market sentiment toward the sector, and as such increases or decreases may occur quite independent of Executive performance or remuneration.

6. Executive contractual arrangements

It is the Board's policy that employment agreements are entered into with all Executives.

The current employment agreement with the Chief Executive Officer ("CEO") has a notice period of three (3) months. All other employment agreements have three month (or less) notice periods. Executives are entitled to their statutory entitlements of accrued annual leave and long service leave together with any superannuation on termination. No other termination payments are payable.

The rights, responsibilities and remuneration terms for each Non-Executive Director are set out in a letter of appointment, pursuant to which:

- Directors are granted the rights to access Company information, and the right to seek independent professional advice;
- Directors are provided with a Deed of Access and Indemnity;
- Directors are provided with coverage under the Company's Directors & Officers insurance policy;
- Directors are made aware of the Company's Corporate Governance policies and procedures;
- Directors are currently entitled to remuneration of $50,000 per annum, plus reasonable expenses for travel and accommodation.

ROBBERT DE WEIJER – CHIEF EXECUTIVE OFFICER (8 JULY 2013 TO CURRENT)

The Company has an Executive Employment Agreement with Mr Robbert de Weijer, which took effect on 8 July 2013.

Under the terms of the agreement:

- Mr de Weijer is entitled to a base remuneration of $400,000 per annum, inclusive of superannuation. If Mr de Weijer is appointed as Managing Director of the Company, his salary will be $425,000 per annum inclusive of superannuation;
- Mr de Weijer is entitled to participate in the issue of incentive options in the Company in accordance with the Company's Employee Share Option Scheme;
- Both the Company and Mr de Weijer are entitled to terminate the contract upon giving three (3) months written notice;

- The Company is entitled to terminate the agreement immediately upon Mr de Weijer's insolvency or certain acts of misconduct;
- Mr de Weijer is entitled to terminate the agreement immediately upon a significant diminution in his benefits, job content, status, responsibilities or authority;
- Mr de Weijer is entitled to a series of performance bonuses, at the Board's election, if the following key performance indicators are met:
  a) 15% max per annum – successful execution of drill programs in NT and QLD on time and on budget (for annual assessment by 30 June in each year);
  b) 15% max per annum – execution of major conditional gas sales, transportation and/or project sell down or joint venture (for annual assessment by 30 June in each year);
  c) 20% – successful implementation of a change of control transaction approved by the Board (upon completion) (once off entitlement) not resulting in termination;
  d) 10% – for every 500 petajoules of proven and probable (2P) reserves booked by the Company, as certified by an independent expert under SPP PRMS guidelines (for assessment whenever reasonably required).
- Subject to obtaining any approvals legally required, including pursuant to the ASX listing rules, the Company shall issue Mr de Weijer 7,500,000 options to subscribe for fully paid ordinary shares in the Company exercisable upon the following terms:
  a) No consideration is payable for the grant of the options;
  b) The options are to subscribe for ordinary shares in the Company;
  c) The exercise price for the Options is:
     (ii) In respect of 2,500,000 Options, $0.50 each, vesting 8 January 2014;
     (iii) In respect of 2,500,000 Options, $0.75 each, vesting 8 January 2015;
     (iv) In respect of 2,500,000 Options, $1.00 each, vesting 8 January 2016;
  d) The options expire on 8 July 2018.

OTHER EXECUTIVES

Employment contracts entered into with Executives contain the following key terms:

EVENT	COMPANY POLICY
Performance based salary increases and/or bonuses	Board discretion
Short and long-term incentives, such as options	Board discretion
Resignation/ notice period	3 months
Serious misconduct	Company may terminate at any time
Payouts upon resignation or termination, outside industrial regulations (i.e. 'golden handshakes')	None

The base remuneration, inclusive of superannuation, paid to other key management personnel is set out below:

BASE REMUNERATION INCLUDING SUPERANNUATION	
NAME	2015
Chris Ohlrich	$301,125
Roger Cressey	$330,000
Karl Schlobohm	$50,000
Priy Jayasuriya	$50,000

The Company has an incentive scheme which rewards employees for contributing to the overall performance of the company. The underlying objective of the incentive arrangements is to:

- ensure employees understand the Company's business drivers, objectives and performance;
- strengthen the involvement and focus of employees in achieving the business' objectives; and
- improve teamwork, communication and interaction among employees.

Under the incentive scheme, the Company may at its discretion, on an annual basis, pay a bonus to permanent employees who are employed by the company on the final day of the relevant financial year (that is, 30 June).

DIRECTOR'S REPORT

The maximum amount of bonus that will be paid to each employee in any year is set out in the employee's contract of employment.

The actual amount of bonus paid to each individual employee will be dependent upon:

- as to 70% of the potential maximum, the individual employee's performance relative to pre-agreed key performance indicators ('KPIs'); and
- as to 30% of the potential maximum, overall corporate performance compared to predetermined corporate performance targets but subject to satisfactory personal performance.

In 2015, no bonuses were paid or payable for the financial year.

The proportion of performance based payments paid/ payable or forfeited to key management personnel entitled thereto is as follows:

NAME	PERFORMANCE PAYMENT PAID/ PAYABLE 2015	PERFORMANCE PAYMENT FORFEITED 2015
Robbert de Weijer	-%	100%
Chris Ohlrich	-%	100%
Roger Cressey	-%	100%
Karl Schlobohm	-%	100%
Priy Jayasuriya	-%	100%

DIRECTORS	SHORT TERM BENEFITS		POST-EMPLOYMENT	SHARE BASED PAYMENTS EQUITY SETTLED		TOTAL	CONSISTING OF OPTIONS	PERFORMANCE RELATED
	SALARY & FEES $	BONUS $	SUPERANNUATION $	OPTIONS $	SHARES $	$	%	%
Nicholas Mather								
2015	210,000	–	–	–	–	210,000	–%	–%
2014	227,433	–	–	–	–	227,433	–%	–%
Philip McNamara								
2015	-	–	–	–	–	–	–%	–%
2014	19,584	–	314	–	–	19,898	–%	–%
William Stubbs								
2015	50,000	–	–	–	–	50,000	–%	–%
2014	62,500	–	–	–	–	62,500	–%	–%
Roland Sleeman								
2015	50,000	–	–	–	–	50,000	–%	–%
2014	62,648	–	–	2,907	–	65,555	4.4%	–%
Jeremy Barlow								
2015	–	–	–	–	–	–	–%	–%
2014	41,445	–	3,834	2,766	–	48,045	5.8%	–%
Stephen Bizzell								
2015	50,000	–	–	–	–	50,000	–	–%
2014	62,500	–	–	2,766	–	65,266	4.2%	–%
Total remuneration								
2015	**360,000**	**–**	**–**	**–**	**–**	**360,000**		
2014	**476,110**	**–**	**4,148**	**8,439**	**–**	**488,697**		

KEY MANAGEMENT PERSONNEL	SHORT TERM BENEFITS		POST-EMPLOYMENT	SHARE BASED PAYMENTS EQUITY SETTLED		TOTAL	CONSISTING OF OPTIONS	PERFORMANCE RELATED
	SALARY & FEES	BONUS	SUPERANNUATION	OPTIONS	SHARES			
	$	$	$	$	$	$	%	%
Robbert de Weijer								
2015	331,969	–	23,808	384,557	43,243	783,577	49.1%	–%
2014	336,977	–	24,406	1,062,157	12,226	1,435,766	74.0%	–%
Chris Ohlrich								
2015	246,234	–	26,125	184,794	34,054	491,207	37.6%	–%
2014	222,290	–	21,426	510,237	9,345	763,298	66.8%	–%
Raymond Johnson								
2015	–	–	–	–	–	–	–%	–%
2014	271,184	–	21,591	33,661	8,126	334,562	10.1%	–%
Roger Cressey								
2015	287,850	–	30,435	13,454	38,676	370,415	3.6%	–%
2014	294,955	–	29,320	53,531	10,651	388,457	13.8%	–%
Karl Schlobohm								
2015	40,694	–	–	3,363	10,000	54,057	6.2%	–%
2014	47,993	–	–	9,711	2,693	60,397	16.1%	–%
Priy Jayasuriya								
2015	40,330	–	4,358	3,363	6,424	54,475	6.2%	–%
2014	42,229	–	4,243	13,740	1,878	62,090	22.1%	–%
Total remuneration								
2015	**947,077**	**–**	**84,726**	**589,531**	**132,397**	**1,753,731**		
2014	**1,215,628**	**–**	**100,986**	**1,683,037**	**44,919**	**3,044,570**		

Performance income as a proportion of total remuneration

No performance based payments to the Key Management Personnel were paid or payable during 2015 (2014: nil).

7. Equity instruments disclosures

Options granted as part of remuneration for the year ended 30 June 2015

Options may be granted to Directors and Executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of Directors and Executives to align comparative shareholder return and reward for Directors and Executives.

During the year ended 30 June 2015, there were 4,500,000 options granted as remuneration to Key Management Personnel. Details of all options on issue over unissued ordinary shares in Armour Energy Ltd at 30 June 2015 to Key Management Personnel as remuneration are set out on the adjacent page:

KEY MANAGEMENT PERSONNEL	GRANT DATE	GRANT NUMBER	EXERCISE PRICE	EXPIRY DATE	VEST DATE	NO: VESTED	% VESTED	VALUE PER OPTION AT GRANT DATE#	EXERCISED IN CURRENT YEAR	EXERCISED IN PRIOR YEARS	BALANCE AT 30/6/15
OTHER KEY MANAGEMENT											
R de Weijer	24/07/13	2,500,000	$0.50	24/07/18	6,18,30 months	1,666,667	66.7%	$0.198	-	-	2,500,000
R de Weijer	24/07/13	2,500,000	$0.75	24/07/18	6,18,30 months	1,666,667	66.7%	$0.183	-	-	2,500,000
R de Weijer	24/07/13	2,500,000	$1.00	24/07/18	6,18,30 months	1,666,667	66.7%	$0.171	-	-	2,500,000
R de Weijer	26/02/14	1,500,000	$0.26	24/02/17	26/02/14	1,500,000	100%	$0.097	-	-	1,500,000
C Ohlrich	25/07/13	1,250,000	$0.50	26/08/18	6,18,30 months	833,333	66.7%	$0.190	-	-	1,250,000
C Ohlrich	25/07/13	1,250,000	$0.75	26/08/18	6,18,30 months	833,333	66.7%	$0.174	-	-	1,250,000
C Ohlrich	25/07/13	1,250,000	$1.00	26/08/18	6,18,30 months	833,333	66.7%	$0.163	-	-	1,250,000
C Ohlrich	26/02/14	750,000	$0.26	24/02/17	26/02/14	750,000	100%	$0.097	-	-	750,000
R Cressey	26/02/14	400,000	$0.26	24/02/17	26/02/14	400,000	100%	$0.097	-	-	400,000
P Jayasuriya	26/02/14	100,000	$0.26	24/02/17	26/02/14	100,000	100%	$0.097	-	-	100,000
K Schlobohm	26/02/14	100,000	$0.26	24/02/17	26/02/14	100,000	100%	$0.097	-	-	100,000
R de Weijer	06/02/15	800,000	$0.10	06/02/16	06/02/15	800,000	100%	$0.014	-	-	800,000
R de Weijer	06/02/15	800,000	$0.20	06/02/17	06/02/15	800,000	100%	$0.013	-	-	800,000
R de Weijer	06/02/15	400,000	$0.30	06/02/18	06/02/15	400,000	100%	$0.015	-	-	400,000
C Ohlrich	06/02/15	400,000	$0.10	06/02/16	06/02/15	400,000	100%	$0.014	-	-	400,000
C Ohlrich	06/02/15	400,000	$0.20	06/02/17	06/02/15	400,000	100%	$0.013	-	-	400,000
C Ohlrich	06/02/15	200,000	$0.30	06/02/18	06/02/15	200,000	100%	$0.015	-	-	200,000
R Cressey	06/02/15	400,000	$0.10	06/02/16	06/02/15	400,000	100%	$0.014	-	-	400,000
R Cressey	06/02/15	400,000	$0.20	06/02/17	06/02/15	400,000	100%	$0.013	-	-	400,000
R Cressey	06/02/15	200,000	$0.30	06/02/18	06/02/15	200,000	100%	$0.015	-	-	200,000
P Jayasuriya	06/02/15	100,000	$0.10	06/02/16	06/02/15	100,000	100%	$0.014	-	-	100,000
P Jayasuriya	06/02/15	100,000	$0.20	06/02/17	06/02/15	100,000	100%	$0.013	-	-	100,000
P Jayasuriya	06/02/15	50,000	$0.30	06/02/18	06/02/15	50,000	100%	$0.015	-	-	50,000
K Schlobohm	06/02/15	100,000	$0.10	06/02/16	06/02/15	100,000	100%	$0.014	-	-	100,000
K Schlobohm	06/02/15	100,000	$0.20	06/02/17	06/02/15	100,000	100%	$0.013	-	-	100,000
K Schlobohm	06/02/15	50,000	$0.30	06/02/18	06/02/15	50,000	100%	$0.015	-	-	50,000

Value per option at grant date is calculated using the Black-Scholes option pricing model, which takes into account factors such as the option exercise price, the share price at the date of issue and volatility of the underlying share price and the time to maturity of the option (refer Note 17).

Once vested, options can be exercised at any time up to the expiry date. None of the above options were forfeited during the year ended 30 June 2015. The options are not granted based on performance criteria, as the Board does not consider this appropriate for a junior exploration company. No amount was paid or payable on the grant of the options. During the current financial year 2,400,000 options were issued to key management personnel at an exercise price of $0.10, which vested immediately and have a life of 1 year. A further 2,400,000 options were issued at an exercise price of $0.20, which vested immediately and have a life of 2 years. Finally, an additional 1,200,000 options were issued at an exercise price of $0.30 which vested immediately and have a life of 3 years.

Shares issued on exercise of remuneration options

There were no options exercised during the year that were previously granted as remuneration (2014: nil).

Performance shares

There are nil performance shares on issue over unissued ordinary shares in Armour Energy as at 30 June 2015 (2014: nil).

DIRECTOR'S REPORT

SHAREHOLDINGS

During the year, the Company's Management agreed for 20 per cent of their base remuneration to be paid by way of shares in the Company. The shares are issued in advance, based on the preceeding 20-day VWAP. This arrangement will be applicable for a limited time and subject to board approval each quarter.

Details of all ordinary shares in Armour Energy Ltd at 30 June 2015 held by Key Management Personnel is set out below:

CURRENT YEAR	BALANCE 1 JULY 2014	GRANTED AS COMPENSATION	OPTIONS EXERCISED	NET CHANGE OTHER#	BALANCE 30 JUNE 2015
DIRECTORS					
Nicholas Mather	2,719,855	-	-	-	2,719,855
William Stubbs	410,000	-	-	-	410,000
Roland Sleeman	60,000	-	-	-	60,000
Stephen Bizzell	1,310,000	-	-	-	1,310,000
OTHER KEY MANAGEMENT PERSONNEL					
Robbert de Weijer	455,485	592,589	-	7,182	1,055,256
Chris Ohlrich	56,968	470,235	-	-	527,203
Roger Cressey	669,726	534,059	-	-	1,203,785
Karl Schlobohm	52,443	139,779	-	-	192,222
Priy Jayasuriya	54,627	88,698	-	-	143,325
Total	**5,789,104**	**1,825,360**	**-**	**7,182**	**7,621,646**

"Net Change Other" above includes the balance of shares held on appointment / resignation, shares issued in lieu of authorised bonuses, and shares acquired or sold for cash on similar terms and conditions to other shareholders.

There were no shares held nominally at 30 June 2015.

OPTION HOLDINGS

CURRENT YEAR	BALANCE 1 JULY 2014	GRANTED AS REMUNERATION	OPTIONS EXERCISED	NET CHANGE OTHER#	BALANCE 30 JUNE 2015	TOTAL VESTED	TOTAL VESTED AND EXERCISABLE	TOTAL VESTED AND UNEXERCISABLE
DIRECTORS								
Nicholas Mather	1,943,417	-	-	(1,943,417)	-	-	-	-
William Stubbs	532,500	-	-	(532,500)	-	-	-	-
Roland Sleeman	515,000	-	-	(515,000)	-	-	-	-
Stephen Bizzell	5,065,000	-	-	(5,065,000)	-	-	-	-
OTHER KEY MANAGEMENT PERSONNEL								
Robbert de Weijer	9,000,000	2,000,000	-	-	11,000,000	8,500,000	8,500,000	-
Chris Ohlrich	4,500,000	1,000,000	-	-	5,500,000	4,250,000	4,250,000	-
Roger Cressey	2,400,000	1,000,000	-	(2,000,000)	1,400,000	1,400,000	1,400,000	-
Karl Schlobohm	217,500	250,000	-	(117,500)	350,000	350,000	350,000	-
Priy Jayasuriya	600,000	250,000	-	(500,000)	350,000	350,000	350,000	-
Total	**24,773,417**	**4,500,000**	**-**	**(10,673,417)**	**18,600,000**	**14,850,000**	**14,850,000**	**-**

"Net Change Other" above includes the balance of options held on appointment / resignation, options acquired or sold for cash on similar terms and conditions to other shareholders, and options that have expired unexercised.

There were no share options held nominally at 30 June 2015 (2014: nil).

8. Other transactions with Key Management Personnel

For the year ended 30 June 2015, nil (2014: nil) was paid or payable to Key Management Personnel of the Company.

(End of Remuneration Report)

DIRECTOR'S REPORT

Directors' Meetings

The number of meetings of Directors held during the year and the number of meetings attended by each Director was as follows:

	BOARD MEETINGS		AUDIT & RISK		REMUNERATION COMMITTEE	
	NUMBER OF MEETINGS HELD WHILE IN OFFICE	MEETINGS ATTENDED	NUMBER OF MEETINGS HELD WHILE IN OFFICE	MEETINGS ATTENDED	NUMBER OF MEETINGS HELD WHILE IN OFFICE	MEETINGS ATTENDED
Nicholas Mather	11	10	-	-	-	-
Bill Stubbs	11	9	2	1	-	-
Roland Sleeman	11	11	2	2	1	1
Stephen Bizzell	11	11	2	2	1	1

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITOR

Each of the Directors, the Chief Executive Officer and Secretary of the Company has entered into a Deed with the Company whereby the Company has provided certain contractual rights of access to books and records of the Company to those Directors. The Company has insured all of the Directors. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount of the premium paid. The Corporations Act does not require disclosure of the information in these circumstances. The Company has not indemnified or insured its auditor.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 20 August 2015, the Company announced that it had executed a non-binding Letter of Intent ("LOI") with American Energy – Acquisitions LLC, an affiliate of American Energy Partners, LP ("AEP"), whereby AEP and the Company will jointly further the exploration and development of Armour's extensive oil and gas prone McArthur Basin Project in the Northern Territory of Australia.

On 31 August 2015, Westside Corporation Limited (Bidder) announced an unsolicited takeover bid for all of the shares in Amour Energy Limited. The takeover bid is comprised of a cash offer of $0.12 per share, and is subject to conditions including the Bidder holding a relevant interest in least 50.1% of Armour shares, and Armour not proceeding with the transaction with AEP. The Directors have advised shareholders to take no action in relation to the takeover bid, until further advised by the Board.

On 2 September 2015, the Company announced the execution of Sale and Purchase Agreements to acquire the oil and gas interests of Origin Energy at Roma in the Surat Basin, Queensland for AUD $13m with the following consideration: an initial payment of $10m, then $3m in $1m annual tranches over three years from the first anniversary of gas sales. The execution of the Agreements follow a comprehensive tender process which culminated in Armour being selected as preferred tenderer.

Apart from the above, the Directors are not aware of any significant changes in the state of affairs of the Company after the balance date that is not covered in this report.

NON-AUDIT SERVICES

There were nil non-audit services provided by the Company's auditor BDO Audit Pty Ltd as at 30 June 2015 (2014: $12,734).

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behavior and accountability, the Directors of the Company support and have adhered to the principles of corporate governance. The Company's Corporate Governance Statement has been released as a separate document and is located on our website.

DIRECTOR'S REPORT

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration forms part of the Directors' Report and can be found on page 27.

OPTIONS

At the date of this report, the unissued ordinary shares of Armour Energy Ltd under option are as follows:

GRANT DATE	DATE OF EXPIRY	EXERCISE PRICE	NUMBER UNDER OPTION
24 July 2013	24 July 2018	$0.50	2,500,000
24 July 2013	24 July 2018	$0.75	2,500,000
24 July 2013	24 July 2018	$1.00	2,500,000
25 July 2013	2 September 2016	$0.50	100,000
25 July 2013	26 August 2018	$0.50	1,250,000
25 July 2013	26 August 2018	$0.75	1,250,000
25 July 2013	26 August 2018	$1.00	1,250,000
26 February 2014	24 February 2017	$0.26	3,130,000
6 February 2015	6 February 2016	$0.10	2,400,000
6 February 2015	6 February 2017	$0.20	2,400,000
6 February 2015	6 February 2018	$0.30	1,200,000

Option holders do not have any rights under the options to participate in any share issue of the Company or any other entity. There were no options exercised up to the date of this report.

Signed in accordance with a resolution of Directors:

Nicholas Mather
Executive Chairman

Brisbane
Date: 2 September 2015

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Fax: +61 7 3221 9227
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Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

DECLARATION OF INDEPENDENCE BY T J KENDALL TO THE DIRECTORS OF ARMOUR ENERGY LIMITED

As lead auditor of Armour Energy Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Armour Energy Limited and the entities it controlled during the year.

T J Kendall
Director

BDO Audit Pty Ltd

Brisbane, 2 September 2015

SHAREHOLDER INFORMATION

ADDITIONAL INFORMATION REQUIRED BY THE AUSTRALIAN SECURITIES EXCHANGE LTD AND NOT SHOWN ELSEWHERE IN THIS REPORT IS AS FOLLOWS. THE INFORMATION IS CURRENT AS AT 21 AUGUST 2015.

(A) DISTRIBUTION SCHEDULE

Fully Paid Ordinary Shares, and Options

	ORDINARY SHARES		ESOP OPTIONS EXERCISABLE AT $0.10		ESOP OPTIONS EXERCISABLE AT $0.20	
	NUMBER OF HOLDERS	NUMBER OF SHARES	NUMBER OF HOLDERS	NUMBER OF OPTIONS	NUMBER OF HOLDERS	NUMBER OF OPTIONS
1 – 1000	28	3,700	-	-	-	-
1,001 – 5,000	208	729,414	-	-	-	-
5,001 – 10,000	273	2,410,226	-	-	-	-
10,001 – 50,000	720	19,570,302	-	-	-	-
50,001 – 100,000	215	17,561,002	4	400,000	4	400,000
100,001+	265	264,361,122	4	2,000,000	4	2,000,000
TOTAL	**1,709**	**304,635,766**	**8**	**2,400,000**	**8**	**2,400,000**

	ESOP OPTIONS EXERCISABLE AT $0.30		ESOP OPTIONS EXERCISABLE AT $0.26		ESOP OPTIONS EXERCISABLE AT $0.50	
	NUMBER OF HOLDERS	NUMBER OF OPTIONS	NUMBER OF HOLDERS	NUMBER OF OPTIONS	NUMBER OF HOLDERS	NUMBER OF OPTIONS
1 – 1000	-	-	-	-	-	-
1,001 – 5,000	-	-	-	-	-	-
5,001 – 10,000	-	-	-	-	-	-
10,001 – 50,000	-	-	3	80,000	-	-
50,001 – 100,000	4	1,000,000	-		1	100,000
100,001+	4	200,000	9	3,050,000	2	3,750,000
TOTAL	**8**	**1,200,000**	**12**	**3,130,000**	**3**	**3,850,000**

	ESOP OPTIONS EXERCISABLE AT $0.75		ESOP OPTIONS EXERCISABLE AT $1.00	
	NUMBER OF HOLDERS	NUMBER OF OPTIONS	NUMBER OF HOLDERS	NUMBER OF OPTIONS
1 – 1000	-	-	-	-
1,001 – 5,000	-	-	-	-
5,001 – 10,000	-	-	-	-
10,001 – 50,000	-	-	-	-
50,001 – 100,000	-	-	-	-
100,001+	2	3,750,000	2	3,750,000
TOTAL	**2**	**3,750,000**	**2**	**3,750,000**

The number of security investors holding less than a marketable parcel of securities is 292, and they hold 1,082,299 securities.

SHAREHOLDER INFORMATION

(B) TWENTY LARGEST HOLDERS

ORDINARY SHARES:			
1	DGR GLOBAL LIMITED	75,050,000	24.64%
2	NATIONAL NOMINEES LIMITED	28,149,985	9.24%
3	J P MORGAN NOMINEES AUSTRALIA LIMITED	14,919,747	4.90%
4	BT PORTFOLIO SERVICES LIMITED	11,900,000	3.91%
5	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	7,956,028	2.61%
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,442,035	1.79%
7	MR PAUL COZZI	4,200,000	1.38%
8	LUJETA PTY LTD	4,050,000	1.33%
9	CAPITA TRUSTEES LIMITED	4,000,000	1.31%
10	CITICORP NOMINEES PTY LIMITED	3,527,368	1.16%
11	CANNON PARTNERS FUND	3,500,000	1.15%
12	ROOKHARP INVESTMENTS PTY LIMITED	3,150,000	1.03%
13	CPS CONTROL SYSTEMS PTY LIMITED	2,700,000	0.89%
14	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	2,463,097	0.81%
15	MR THOMAS CHARLES GOODWIN & MRS SUSAN MAREE GOODWIN	2,171,179	0.71%
16	G HARVEY NOMINEES PTY LTD	2,063,969	0.68%
17	MR JEREMY WARDE BARLOW	2,000,000	0.66%
18	SAMUEL CAPITAL LIMITED	1,819,855	0.60%
19	GRAHAM & LINDA HUDDY NOMINEES PTY LTD	1,750,000	0.57%
20	MR ANDREW JAMES LEES	1,629,883	0.54%
TOP 20		**182,443,146**	**59.89%**
TOTAL		**304,635,766**	**100.00%**

SHAREHOLDER INFORMATION

(C) SUBSTANTIAL SHAREHOLDERS

The Company has received substantial shareholding notices from the following parties:

NAME	NUMBER OF SHARES	%
DGR Global Limited	75,050,000	24.64%
National Nominees Limited	28,149,985	9.24%

(D) VOTING RIGHTS

All ordinary shares carry one vote per share without restriction.

(E) RESTRICTED SECURITIES

There are no restrictions over any security holdings as at 30 June 2015.

INTEREST IN TENEMENTS

As at the date of this report, the Company has an interest in the following tenements.

TENEMENT	% INTEREST	GRANT DATE	APPLICATION DATE	EXPIRY DATE	TERM
EP 171	100	29/06/11	N/A	29/06/16	5 years
EP 176	100	29/06/11	N/A	29/06/16	5 years
EP 172	100	N/A	19/12/09	N/A	5 years
EP 173	100	N/A	19/12/09	N/A	5 years
EP 174	100	11/12/12	N/A	10/12/17	5 years
EP 177	100	N/A	06/04/10	N/A	5 years
EP 178	100	N/A	08/04/10	N/A	5 years
EP 179	100	N/A	08/04/10	N/A	5 years
EP 190	100	11/12/12	N/A	10/12/17	5 years
EP 191	100	03/10/13	N/A	2/10/18	5 years
EP 192	100	03/10/13	N/A	2/10/18	5 years
EP 193	100	N/A	13/08/10	N/A	5 years
EP 194	100	N/A	13/08/10	N/A	5 years
EP 195	100	N/A	13/08/10	N/A	5 years
EP 196	100	N/A	13/08/10	N/A	5 years
ATP 1087	100	19/12/12	N/A	18/12/16	4 years
ATP 1107	100	N/A	30/05/12	N/A	4 years
ATP 1192	100	N/A	1/10/14	N/A	4 years
ATP 1193	100	N/A	1/10/14	N/A	4 years
EPM 19833*	100	11/02/13	N/A	10/02/16	3 years
EPM 19835*	100	11/09/13	N/A	10/09/16	3 years
EPM 19836*	100	11/09/13	N/A	10/09/16	3 years
EPM 25410*	100	29/05/14	N/A	28/05/17	3 years
EPM 25504*	100	10/11/14	N/A	09/11/14	3 years
EPM 25505*	100	N/A	14/02/14	N/A	3 years
EPM 25802*	100	20/05/15	N/A	19/05/18	6 years
ELM 29837*	100	27/08/13	N/A	26/08/19	6 years
ELM 29951*	100	21/11/13	N/A	20/11/19	6 years
ELM 29952*	100	21/11/13	N/A	20/11/19	6 years
ELM 29953*	100	18/02/14	N/A	17/02/20	6 years
ELM 29954*	100	21/11/13	N/A	20/11/19	6 years
ELM 29955*	100	21/11/13	N/A	20/11/19	6 years
ELM 30076*	100	09/05/14	N/A	08/05/20	6 years
ELM 30077*	100	09/05/14	N/A	08/05/20	6 years
ELM 30078*	100	09/05/14	N/A	08/05/20	6 years
ELM 30079*	100	09/05/14	N/A	08/05/20	6 years
ELM 30080*	100	09/05/14	N/A	08/05/20	6 years

INTEREST IN TENEMENTS

TENEMENT	% INTEREST	GRANT DATE	APPLICATION DATE	EXPIRY DATE	TERM
ELM30494*	100	08/07/15	N/A	07/04/21	6 years
ELM30736*	100	N/A	28/01/15	N/A	6 years
ELM30737*	100	N/A	28/01/15	N/A	6 years
ELM30750*	100	N/A	11/02/15	N/A	6 years
ELM30751*	100	N/A	11/02/15	N/A	6 years
ELM30752*	100	N/A	11/02/15	N/A	6 years
ELM30753*	100	N/A	11/02/15	N/A	6 years
ELM30774*	100	N/A	23/02/15	N/A	6 years
ELM30775*	100	N/A	23/02/15	N/A	6 years
ELM30776*	100	N/A	23/02/15	N/A	6 years
ELM30810*	100	N/A	07/04/15	N/A	6 years
ELM30812*	100	N/A	07/04/15	N/A	6 years
ELM30813*	100	N/A	07/04/15	N/A	6 years
ELM30817*	100	N/A	14/04/15	N/A	6 years
ELM30818*	100	N/A	14/04/15	N/A	6 years
ELM30822*	100	N/A	20/04/15	N/A	6 years
ELM30823*	100	N/A	20/04/15	N/A	6 years
ELM30836*	100	N/A	11/05/15	N/A	6 years
ELM30841*	100	N/A	14/05/15	N/A	6 years
ELM30842*	100	N/A	14/05/15	N/A	6 years
ELM30843*	100	N/A	14/05/15	N/A	6 years
ELM30853*	100	N/A	25/05/15	N/A	6 years
ELM30854*	100	N/A	25/05/15	N/A	6 years
ELM30855*	100	N/A	25/05/15	N/A	6 years
ELM30856*	100	N/A	25/05/15	N/A	6 years
ELM30857*	100	N/A	25/05/15	N/A	6 years
ELM30858*	100	N/A	25/05/15	N/A	6 years
ELM30859*	100	N/A	25/05/15	N/A	6 years
ELM30866*	100	N/A	01/06/15	N/A	6 years
ELM30899*	100	N/A	06/07/15	N/A	6 years
ELM30900*	100	N/A	06/07/15	N/A	6 years
ELM30922*	100	N/A	20/07/15	N/A	6 years
ELM30925*	100	N/A	21/07/15	N/A	6 years
ELM30926*	100	N/A	21/07/15	N/A	6 years
ELM30927*	100	N/A	21/07/15	N/A	6 years

*Refers to granted tenements and applications held by Ripple Resources Pty Ltd.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

	NOTES	2015 $	RESTATED 2014 $
Revenue	2a	97,803	505,409
Other income	2b	17,237	1,434,508
Revenue and other income		**115,040**	**1,939,917**

Administration and consulting expenses		(2,036,291)	(2,644,693)
Depreciation		(61,924)	(70,487)
Employee benefits expenses		(1,382,532)	(2,002,172)
Exploration expenditure written off and impaired		(150,338)	-
Legal expenses		(86,340)	(200,398)
Finance costs		(326)	(367)
Share based payments expense		(616,827)	(1,837,800)
Profit (loss) before income tax	3	**(4,219,538)**	**(4,816,000)**
Income tax benefit (expense)	4	(2,355,536)	(1,852,943)
Profit (loss) for the year		**(6,575,074)**	**(6,668,943)**

Other comprehensive income Items that may be reclassified to profit or loss	NOTES	CENTS/ SHARE	CENTS/ SHARE
Change in fair value of available for sale financial assets		(2,236,000)	(4,028,000)
Income tax on items that may be reclassified to profit or loss		670,800	1,208,400
Other comprehensive income, net of tax		**(1,565,200)**	**(2,819,600)**
Total comprehensive income for the year		**(8,140,274)**	**(9,488,543)**

Earnings per share	NOTES	CENTS/ SHARE	CENTS/ SHARE
Basic earnings per share	7	(2.2)	(2.2)
Diluted earnings per share	7	(2.2)	(2.2)

The above consolidated statement of profit or loss and comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	NOTES	2015 $	RESTATED 2014 $
Current assets			
Cash and cash equivalents	8	8,533,160	6,474,941
Trade and other receivables	9	191,672	119,159
Other current assets	10	272,682	298,440
Total current assets		**8,997,514**	**6,892,540**
Non-current assets			
Other financial assets	11	5,241,972	7,406,817
Property, plant and equipment	12	116,393	170,309
Exploration and evaluation assets	13	55,156,524	60,428,432
Deferred tax assets	4	-	504,785
Total non-current assets		**60,514,889**	**68,510,343**
Total assets		**69,512,403**	**75,402,883**
Current liabilities			
Trade and other payables	14	898,025	634,241
Provision	15	74,379	53,828
Total current liabilities		**972,404**	**688,069**
Non-current liabilities			
Deferred tax liability	4	1,177,530	-
Total non-current liabilities		**1,177,530**	**-**
Total liabilities		**2,149,934**	**688,069**
Net assets		**67,362,469**	**74,714,814**
Equity			
Issued capital	16	83,880,979	83,709,877
Reserves	18	571,896	1,520,269
Accumulated losses		(17,090,406)	(10,515,331)
Total equity attributable to owners of Armour Energy Ltd		**67,362,469**	**74,714,814**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

	ISSUED CAPITAL	ACCUMULATED LOSSES	FINANCIAL ASSETS REVALUATION RESERVE	PERFORMANCE SHARES RESERVE	PERFORMANCE RIGHTS RESERVE	OPTION RESERVE	TOTAL EQUITY
Balance at 1 July 2013	**83,362,886**	**(1,110,398)**	**1,575,000**	**153,108**	**86,183**	**723,778**	**84,790,557**
Change in accounting policy (refer note 1(x))	-	(2,735,991)	-	-	-	-	(2,735,991)
Restated balance at 1 July 2013	**83,362,886**	**(3,846,389)**	**1,575,000**	**153,108**	**86,183**	**723,778**	**82,054,566**
Loss for the year	-	(6,668,943)	-	-	-	-	(6,668,943)
Other comprehensive income	-	-	(2,819,600)	-	-	-	(2,819,600)
Total comprehensive income for the year	-	(6,668,943)	(2,819,600)	-	-	-	(9,488,543)
Shares issued during the year	349,546	-	-	(36,000)	-	-	313,546
Share issue costs	(3,650)	-	-	-	-	-	(3,650)
Recognition of deferred tax assets relating to share issue costs	1,095	-	-	-	-	-	1,095
Share based payments	-	-	-	7,892	38,817	1,791,091	1,837,800
Balance at 30 June 2014, Restated	**83,709,877**	**(10,515,332)**	**(1,244,600)**	**125,000**	**125,000**	**2,514,869**	**74,714,814**
Loss for the year	-	(6,575,074)	-	-	-	-	(6,575,074)
Other comprehensive income	-	-	(1,565,200)	-	-	-	(1,565,200)
Total comprehensive income for the year	-	(6,575,074)	(1,565,200)	-	-	-	(8,140,274)
Shares issued during the year	176,751	-	-	-	-	-	176,751
Share issue costs	(8,070)	-	-	-	-	-	(8,070)
Recognition of deferred tax assets relating to share issue costs	2,421	-	-	-	-	-	2,421
Share based payments	-	-	-	-	-	616,827	616,827
Balance at 30 June 2015	**83,880,979**	**(17,090,406)**	**(2,809,800)**	**125,000**	**125,000**	**3,131,696**	**67,362,469**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2015

	NOTES	2015 $	RESTATED 2014 $
Cash flows from operating activities			
Payments to suppliers and employees		(3,088,582)	(5,043,710)
Interest paid		(326)	(367)
Interest received		101,461	831,692
Fuel Tax Credits		3,453	322,728
Other income		48,211	2,791
Net cash flows from operating activities	**19**	**(2,935,783)**	**(3,886,866)**
Cash flows from investing activities			
Receipts of/ (payments for) security deposits		(68,935)	(157,010)
Interest received on convertible notes		-	133,600
Purchase of property, plant and equipment		(8,009)	(26,895)
Payments for exploration and evaluation assets		(4,315,515)	(33,809,095)
Research and Development funds in relation to exploration assets		9,394,531	7,106,464
Net cash flows from investing activities		**5,002,072**	**(26,752,936)**
Cash flows from financing activities			
Proceeds from the issue of shares		-	65,000
Transactions costs on the issue of shares		(8,070)	(3,651)
Net cash flows from financing activities		**(8,070)**	**61,349**
Net increase (decrease) in cash and cash equivalents		2,058,219	(30,578,453)
Cash and cash equivalents at the beginning of the year		6,474,941	37,053,394
Cash and cash equivalents at the end of the year	**8**	**8,533,160**	**6,474,941**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

Note 1: Summary of Significant Accounting Policies

CORPORATE INFORMATION

The financial report of Armour Energy Ltd for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of the Directors on 2 September 2015.

Armour Energy Ltd (the Company) is a public company limited by shares incorporated and domiciled in Australia. The Company's registered office is located at Level 27, 111 Eagle Street, Brisbane, QLD 4000.

The nature of the operations and principal activities of the Company are described in the Director's report.

BASIS OF PREPARATION

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial report covers Armour Energy Ltd and its subsidiaries, and is presented in Australian dollars.

Compliance with IFRS

Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes of Armour Energy Ltd comply with International Financial Reporting Standards (IFRS).

Going concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. At 30 June 2015 the Company had $8.5 million in cash and had not generated revenues from operations. As such, the Company's ability to continue to adopt the going concern assumption will depend upon a number of matters in the 2016 financial year including successful future capital raisings of necessary funding, entering into a joint venture or farm-in agreement with respect to its tenements, the realisation of its investments in listed securities, and the successful exploration and exploitation of the Company's tenements. In the absence of these matters being successful in the short term, there exists a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern, and therefore, it may be unable to realise its assets and discharge its liabilities in the ordinary course of business.

Reporting basis and conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report.

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies (continued)

ACCOUNTING POLICIES

(a) New Accounting Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Company has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2014:

REFERENCE	TITLE	APPLICATION DATE OF STANDARD	APPLICATION DATE FOR THE COMPANY
AASB 2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	1 January 2014	1 July 2014
AASB 2013-3	Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014	1 July 2014
AASB 2013-4	Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014	1 July 2014
AASB 2013-5	Amendments to Australian Accounting Standards – Investment Entities	1 January 2014	1 July 2014
AASB 1031	Materiality	1 January 2014	1 July 2014
AASB 2013-9	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	1 January 2014	1 July 2014
AASB 2014-1	Part A – Annual Improvements 2010–2012 Cycle	1 July 2014	1 July 2014
AASB 2014-1	Part A – Annual Improvements 2011–2013 Cycle	1 July 2014	1 July 2014
AASB 2014-Part B	Amendments to Australian Accounting Standards – Part B Defined Benefit Plans: Employee Contributions	1 July 2014	1 July 2014
AASB 1053	Transition to and between Tiers, and related Tier 2 Disclosure Requirements	1 July 2014	1 July 2014

The adoption of the above standards and interpretations did not have any material impact on the current or any prior period and is not likely to materially affect future periods.

Australian Accounting Standards and Interpretations that have been recently issued or amended but are not yet effective have not been adopted by the Company for the annual reporting period ended 30 June 2015. The Consolidated Entity is yet to evaluate the impact of those standards and interpretations on the financial statements.

The Company anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information of new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below.

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies (continued)

REFERENCE	TITLE	APPLICATION DATE OF STANDARD	APPLICATION DATE FOR THE COMPANY
AASB 14	Regulatory deferral accounts	1 January 2016	1 July 2016
AASB 2014-3	Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	1 January 2016	1 July 2016
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	1 January 2016	1 July 2016
AASB 15	Revenue from Contracts with Customers	1 January 2017	1 July 2017
AASB 2014-9	Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements	1 January 2016	1 July 2016
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016	1 July 2016
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	1 January 2016	1 July 2016
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	1 January 2016	1 July 2016
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	1 July 2015	1 July 2015
AASB 2015-5	Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception	1 July 2015	1 July 2015

(b) Basis of Consolidation

Subsidiaries

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

(c) Business Combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies (continued)

of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with contractual terms, economic conditions, the Company's operating or accounting policies and other pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value through profit and loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 in profit or loss. If the contingent consideration is classified as equity, it is not remeasured.

(d) Operating Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This may include start-up operations which are yet to earn revenues.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

(e) Cash and Cash Equivalents

For the Statement of Cash Flows, cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(f) Trade and Other Receivables

Receivables, generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Company will not be able to collect the receivable. Financial difficulties of the debtor or debts more than 90 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(g) Consumables

Consumables comprise drilling consumables that are valued at cost on a first in first out basis.

(h) Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Company becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies (continued)

Classification and Subsequent Measurement

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

(iii) Financial assets at fair value through other comprehensive income

Equity investments are classified as being at fair value through Other Comprehensive Income. After initial recognition at fair value (being cost), the Company has elected to present in Other Comprehensive

Income changes in the fair value of equity instrument investments.

Unrealised gains and losses on investments are recognised in the financial assets revaluation reserve until the investment is sold or otherwise disposed of, at which time the cumulative gain or loss is transferred to retained earnings.

The Company derecognises an investment when it is sold or it transfers the investment and the transfer qualifies for derecognition in accordance with AASB 9. Upon derecognition, unrealised gains/losses net of tax relating to the investment are transferred from the financial assets revaluation reserve to profits appropriation reserve.

(iv) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as non-current assets until the consolidated entity makes a decision to sell. These assets are measured at fair value with gains or losses recognised in the profit or loss.

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value of all other financial assets and liabilities, where appropriate, including recent arm's length transactions, reference to similar instruments and option pricing models.

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as other revenue when the Company's right to receive payments is established (see note 11) and as long as they represent a return on investment.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other income or other expenses in the income statement as applicable. Interest income from these financial assets is included in the net gains/(losses). Dividend income is presented as other revenue.

Details on how the fair value of financial instruments is determined are disclosed in note 11.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the Company no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit of loss.

Impairment of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined from available information such as quoted market prices or by calculating the net present value of future anticipated

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies (continued)

cash flows. In estimating these cash flows, management makes judgments about a counter-party's financial situation and the net realisable value of any underlying collateral. Impairment losses are recognised in the profit or loss.

Where there is objective evidence that an available for sale financial asset is impaired (such as a significant or prolonged decline in the fair value of an available for sale financial asset), the cumulative loss that has been recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When a subsequent event reduces the impairment of an available for sale debt security the impairment loss is reversed through profit or loss. When a subsequent event reduces the impairment of an available for sale equity instrument the fair value increased is recognised in other comprehensive income.

Impairment losses on assets measured at amortised cost using the effective interest rate method are calculated by comparing the carrying value of the asset with the present value of estimated future cash flows at the original effective interest rate.

(i) Property, Plant & Equipment

Property, plant & equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

The cost of property, plant & equipment constructed within the Company includes the cost of materials, direct labour, borrowing costs and an appropriate portion of fixed and variable costs. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial year in which they are incurred.

Depreciation

The depreciable amount of all property, plant & equipment is depreciated over their useful life to the Company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of assets are:

Class of Property, plant & equipment	*Depreciation*
Motor Vehicles	20% Straight line
Office Equipment	20% – 33.3% Straight line
Plant and Equipment	20% Straight line

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the profit or loss.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(j) Exploration and Evaluation Assets

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure but do not include overheads or administration expenditure not having a specific nexus with a particular area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active or significant operations in relation to the area are continuing.

A regular review has been undertaken on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

A provision is raised against exploration and evaluation expenditure where the Directors are of the opinion that the carried forward net cost may not be recoverable or the right of tenure in the area lapses. The increase in the provision is charged against the results for the year. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies (continued)

Costs of site restoration are provided over the life of the area from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structure, waste removal, and rehabilitation of the site in accordance with clauses of mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that restoration will be completed within one year of abandoning the site.

(k) Impairment of Assets

At each reporting date, the Company reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(l) Trade and Other Payables

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30-60 days of recognition.

(m) Provisions and Employee Benefits

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Employee benefits

(i) Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wages and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on Australian corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies (continued)

(iii) Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they were incurred.

(n) Leases

Leases of property, plant & equipment where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Company are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the year.

Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the Company will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight line basis over the lease term. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

(o) Share Capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit.

(p) Share-Based Payments

The Company may provide benefits to Directors, employees or consultants in the form of share-based payment transactions, whereby services may be undertaken in exchange for shares or options over shares ("equity-settled transactions").

The fair value of shares and options granted to Directors, employees and consultants is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the recipients become unconditionally entitled to the instruments. For options, fair value is determined using a Black-Scholes option pricing model.

Where the terms of equity instruments granted are modified, the expense continues to be recognised from grant date to vesting date as if the terms had never been changed. In addition, a further expense is recognised for any increase in fair value of the transaction as a result of the change.

Where equity instruments granted are cancelled, they are treated as if vesting occurred on cancellation and any unrecognised expenses are taken immediately to the profit or loss. If new instruments are substituted for the cancelled instruments and designated as a replacement, the combined impact of the cancellation and replacement instruments are treated as if they were a modification.

(q) Fair Value Measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies (continued)

on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

(r) Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest

Interest revenue is recognised as interest accrues using the effective interest rate method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

All revenue is stated net of the amount of goods and services tax (GST).

(s) Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

The current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates expected to apply to the period when the asset is realised or liability is settled based on tax rates (and laws) that have been enacted or substantially enacted by the reporting date.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences and unused tax losses can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Current and deferred tax is recognised in profit or loss, except to the extent it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(t) GST

Revenues, expenses and assets are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies (continued)

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(u) Earnings per Share

Basic earnings per share is calculated as net profit (loss) attributable to owners of the Company, adjusted to exclude any costs of servicing equity other than ordinary shares, divided by the weighted average number of ordinary shares outstanding during the year, adjusted for any bonus element.

Diluted earnings per share adjust the figures used in the determination of basic earnings per share to take into account:

- The after tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(v) Comparatives

When required by Australian Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(w) Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key estimates – impairment

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Where applicable, value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Key judgments – exploration & evaluation assets

The Company performs regular reviews on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. These reviews are based on detailed surveys and analysis of drilling results performed to balance date.

The Directors have assessed that for the exploration and evaluation assets recognised at 30 June 2015, the facts and circumstances do not suggest that the carrying amount of an asset may exceed its recoverable amount. In considering this the Directors have had regard to the facts and circumstances that indicate a need for impairment as noted in Accounting Standard AASB 6 “Exploration for and Evaluation of Mineral Resources”.

Exploration and evaluation assets at 30 June 2015 were $55,156,524 (2014 restated: $60,428,432 per note 1).

Key judgments – deferred tax assets

In determining the recoverability of the recognised deferred tax assets, management has assessed that it will be utilised through eligible expenditure under the research and development grant. To the extent that the Company does not have sufficient eligible expenditure the ability to utilise the net deferred tax assets could be impacted.

(x) Change in Accounting Policy for Refundable R&D Incentives

The Company previously accounted for refundable R&D tax incentives as an income tax benefit. The entity has determined that these incentives are more akin to government grants because they are not conditional upon earning taxable income. The Company has therefore made a voluntary change in accounting policy during the reporting period. Refundable tax incentives are now accounted for as government grants under AASB 120 Accounting for Government Grants and Disclosure of Government Assistance because the directors consider this policy to provide more relevant information to meet the economic decision-making needs of users, and to make the financial statements more reliable.

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies (continued)

The impact of these changes in the Company's accounting policy on individual line items in the prior year financial statements can be summarised as follows:

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	PREVIOUS POLICY REPORTED 2014 $	ADJUSTMENT $	REVISED POLICY RESTATED 2014 $
2014			
Income tax benefit/(expense)	3,121,582	(4,974,525)	(1,852,943)
Profit after income tax expense for the year attributable to the owners of Armour Energy Ltd	**(1,694,418)**	**(4,974,525)**	**(6,668,943)**
Total comprehensive income for the year attributable to the owners of Armour Energy Ltd	**(4,514,018)**	**(4,974,525)**	**(9,488,543)**
Basic earnings per share (cents)	(0.6)	(1.6)	(2.2)
Diluted earnings per share (cents)	(0.6)	(1.6)	(2.2)

STATEMENT OF FINANCIAL POSITION			
2014			
Exploration and Evaluation Assets	70,283,772	(9,855,340)	60,428,432
Consumables	1,159,682	(1,159,682)	-
Deferred tax asset	-	504,785	504,785
Total Assets	**85,913,120**	**(10,510,236)**	**75,402,883**
Deferred tax liability	(2,799,721)	2,799,721	-
Net Assets	**82,425,330**	**(7,710,516)**	**74,714,814**
Retained earnings	(2,804,816)	(7,710,516)	(10,515,332)
Total equity	**82,425,330**	**(7,710,516)**	**74,814,814**

STATEMENT OF CASH FLOWS			
2014			
Net cash flows (used in) from Operating Activities	3,219,598	(7,106,464)	(3,886,866)
Net cash flows (used in) from Investing Activities	(33,859,400)	7,106,464	(26,752,936)

NOTES TO THE FINANCIAL STATEMENTS

Note 2. Revenue and Other Income

	2015 $	2014 $
(a) Interest revenue from:		
- Term deposits held with financial institutions	83,638	371,162
- Australian Taxation Office	3,065	647
- Lakes Oil convertible notes	11,100	133,600
Total Interest Revenue	**97,803**	**505,409**
(b) Other income		
- Change in fair value on investments	2,220	1,111,780
- Fuel Tax Credit	3,453	322,728
- Government grants	11,564	-
Total Other Income	**17,237**	**1,434,508**

Note 3. Profit / (Loss)

	2015 $	2014 $
Included in the profit / (loss) are the following specific expenses:		
Finance cost		
- Interest expense	326	367
Depreciation		
- Office equipment	16,157	20,730
- Motor vehicles	28,175	34,912
- Plant and equipment	17,592	14,845
Defined contribution superannuation expense	138,360	219,384
(Gain)/loss of foreign exchange	(38,815)	110,035
Loss on disposal of property plant and equipment	-	26,706
Exploration expenditure written off	(150,338)	-

NOTES TO THE FINANCIAL STATEMENTS

Note 4. Income Tax

	2015 $	2014 $
(a) Component of income tax expense (benefit)		
Income tax expense (benefit) is made up of:		
Current tax	-	-
Deferred tax	2,355,536	1,852,943
	2,355,536	1,852,943
Components of tax expense on other comprehensive		
Income comprise:		
Deferred tax	670,800	1,208,400
b) The prima facie tax on profit / (loss) before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit / (loss) before income tax at 30% (2014: 30%)	(1,265,861)	(1,444,800)
Add tax effect of:		
Share based payments	185,048	551,340
Expenses not deductible for tax purposes	2,498	1,907
Other	(10,810)	138,792
Deferred Tax Asset utilised following R&D cash back	3,444,661	2,605,704
Income tax expense / (benefit)	2,355,536	1,852,943
Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:		
Net deferred tax – debited (credited) directly to equity	(2,421)	(1,095)
	(2,421)	(1,095)

Note 4. Income Tax (continued)

c) Reconciliation of Net deferred tax

2015	OPENING BALANCE $	NET CHARGED TO INCOME $	NET CHARGED TO OTHER COMPREHENSIVE INCOME $	NET CHARGED TO EQUITY $	NET MOVEMENT ON UNWIND/ TRANSFER	CLOSING BALANCE $
Deferred tax asset						
Carried forward tax losses	17,796,195	(3,981,854)	-	-	441,920	14,256,261
Accruals/ provisions	84,133	30,613	-	-	-	114,746
Property, Plant & Equipment	9,631	3,451	-	-	-	13,082
Capital raising costs through P&L	66,722	10,748	-	-	-	77,470
Capital raising costs in equity	863,864	-	-	2,421	(441,920)	424,365
Available for sale financial assets	(469,200)	(66)	670,800	-	(65,934)	135,600
Potential benefit at 30% (2012: 30%)	**18,351,345**	**(3,937,108)**	**670,800**	**2,421**	**(65,934)**	**15,021,524**
Deferred tax liability						
Exploration & Evaluation assets	(17,780,626)	1,581,572	-	-	-	(16,199,054)
Financial assets at fair value through profit or loss	(65,934)	-	-	-	65,934	-
Potential benefit at 30% (2012: 30%)	**(17,846,560)**	**1,581,572**	**-**	**-**	**65,934**	**(16,199,054)**
Net deferred tax	**504,785**	**(2,355,536)**	**670,800**	**2,421**	**-**	**(1,177,530)**

2014	OPENING BALANCE $	NET CHARGED TO INCOME $	NET CHARGED TO OTHER COMPREHENSIVE INCOME $	NET CHARGED TO EQUITY $	NET MOVEMENT ON UNWIND/ TRANSFER	CLOSING BALANCE $
Deferred tax asset						
Carried forward tax losses	12,616,051	4,295,502	-	-	884,642	17,796,195
Accruals/ provisions	(180,493)	264,626	-	-	-	84,133
Property, Plant & Equipment	11,956	(2,325)	-	-	-	9,631
Capital raising costs through P&L	-	66,722	-	-	-	66,722
Capital raising costs in equity	1,880,854	(133,443)	-	1,095	(884,642)	863,864
Potential benefit at 30% (2012: 30%)	**14,328,368**	**4,491,082**	**-**	**1,095**	**-**	**18,820,545**
Deferred tax liability						
Exploration & Evaluation assets	(11,770,135)	(6,010,491)	-	-	-	(17,780,626)
Financial assets at fair value through profit or loss	(735,000)	(333,534)	-	-	1,002,600	(65,934)
Available for sale financial assets	(675,000)	-	1,208,400	-	(1,002,600)	(469,200)
Potential benefit at 30% (2012: 30%)	**(13,180,135)**	**(8,475,965)**	**1,208,400**	**-**	**-**	**(18,315,760)**
Net deferred tax	**1,148,233**	**(1,852,943)**	**1,208,400**	**1,095**	**-**	**504,785**

NOTES TO THE FINANCIAL STATEMENTS

Note 4. Income Tax (continued)

In order to recoup carried forward losses in future periods, either the Continuity of Ownership Test (COT) or Same Business Test (SBT) must be passed. The majority of losses are carried forward at 30 June 2015 under COT.

Deferred tax assets which have not been recognised as an asset, will only be obtained if:

(i) The Company derives future assessable income of a nature and of an amount sufficient to enable the losses to be realised;

(ii) The Company continues to comply with the conditions for deductibility imposed by the law; and

(iii) No changes in tax legislation adversely affect the Company in realising the losses.

(d) Petroleum Resource Rent Tax Note

On 19 March, 2012, the Australian Government passed through the Senate, the Petroleum Resource Rent Tax Act 2012, with application to certain profits arising from petroleum extracted in Australia. In broad terms, the tax is imposed on a project-by-project basis. This tax applies to upstream mining operations only, and the effective rate of Petroleum Resource Rent Tax is 22.5%. This tax is considered to be an "income tax" for the purposes of AASB 112. Certain transition measures are contained in the legislation which can give rise to deductions in future years by adopting fair value, for Petroleum Resource Rent Tax purposes. Affected entities had until 31 December 2013, to exercise an election to adopt fair value as opposed to cost, in determining their future deductions. The Company is not in the production phase yet and is currently below the taxable threshold. Accordingly, the Company has not exercised its election, nor have fair value modeling and valuations been performed.

Note 5. Dividends and Franking Credits

There were no dividends paid or recommended during the year or since the end of the year (2014: none). There are no franking credits available to shareholders of the Company (2014: nil).

Note 6. Auditors Remuneration

	2015 $	2014 $
BDO Audit Pty Ltd		
Audit and review of the financial reports	49,500	49,000
Taxation services	-	2,734
	49,500	61,734

Note 7. Earnings Per Share (EPS)

	2015 $	2014 RESTATED $
(a) Earnings		
Earnings used to calculate basic and diluted EPS	(6,575,074)	(6,668,943)
	NUMBER OF SHARES	NUMBER OF SHARES
(b) Weighted average number of shares		
Weighted average number of ordinary shares outstanding during the year, used in calculating basic earnings per share	302,638,859	300,813,437
Weighted average number of dilutive options outstanding during the year	-	-
Weighted average number of ordinary shares and potential ordinary shares outstanding during the year, used in calculating diluted earnings per share	302,638,859	300,813,437

Options are not considered dilutive as they are currently out of the money. Options may become dilutive in the future.

Note 8. Cash and Cash Equivalents

	2015 $	2014 $
Cash at bank	8,533,160	1,005,924
Short-term deposits	-	5,469,017
	8,533,160	6,474,941

Note 9. Trade and Other Receivables

	2015 $	2014 $
GST refundable	178,141	86,279
Trade receivables	5,996	25,345
Other receivables	7,535	7,535
	191,672	119,159

Receivables are non-interest bearing and are generally on 30-60 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual receivable is impaired. No impairment loss has been recorded for the current and previous financial year.

Due to the short term nature of these receivables, their carrying value is assumed to approximate fair value.

The maximum exposure to credit risk is the carrying value of receivables. Collateral is not held as security.

The receivables are not exposed to foreign exchange risk. No receivables were past due or impaired at 30 June 2015 (2014: nil).

Note 10. Other Current Assets

	2015 $	2014 $
Prepayments	272,682	283,682
Interest receivable	-	14,758
	272,682	**298,440**

Note 11. Other Financial Assets

	2015 $	2014 $
NON-CURRENT		
Financial assets at fair value through Profit or Loss		
Australian Convertible Notes	-	441,780
Financial assets at fair value through Other Comprehensive Income		
Australian listed shares	4,252,000	6,044,000
Security deposits	989,972	921,037
	5,241,972	**7,406,817**

Movements in financial assets at fair value through Profit or Loss		
Opening balance at 1 July	441,780	4,900,000
Additions	-	-
Fair value adjustments through Profit or Loss	2,220	1,111,780
Conversion into shares accounted for as available for sale financial assets	(444,000)	(5,570,000)
	-	**441,780**

Financial assets at fair value through Profit or Loss comprise investments in Convertible Notes of Lakes Oil NL.

	2015 $	2014 $
Movements in financial assets at fair value through Other Comprehensive Income		
Opening balance at 1 July	6,044,000	4,502,000
Additions on conversion of convertible notes to shares at fair value through Other Comprehensive Income	444,000	5,570,000
Other additions	-	-
Fair value adjustments through Other Comprehensive Income	(2,236,000)	(4,028,000)
Closing balance at 30 June	**4,252,000**	**6,044,000**

Note 11. Other Financial Assets (continued)

Financial assets at fair value through Other Comprehensive Income comprise investments in the ordinary issued capital of Lakes Oil NL and Aus Tin Mining Limited, listed on the Australian Securities Exchange.

Refer to note 22 (e) for fair value disclosures.

Classification of assets at fair value through other comprehensive income

For equity securities that are not held for trading, the Company has made an irrevocable election at initial recognition to recognise changes in fair value through other comprehensive income rather than profit or loss. These securities are presented separately in the statement of financial position.

In the prior financial year, the group had designated financial assets as available-for-sale if they did not have fixed maturities and fixed or determinable payments, and management intended to hold them for the medium to long-term. Financial assets that were not classified into any of the other categories (at FVTPL, loans and receivables or held-to-maturity investments) were also included in the available-for-sale category.

Note 12. Property, Plant and Equipment

	2015 $	2014 $
Motor vehicles – at cost	140,878	140,878
Accumulated depreciation	(88,763)	(60,588)
Written down value	52,115	80,290
Office equipment – at cost	59,230	8,195
Accumulated depreciation	(48,195)	(33,906)
Written down value	11,035	24,289
Plant and equipment – at cost	89,664	84,559
Accumulated depreciation	(36,421)	(18,829)
Written down value	53,243	65,730
Total written down value	116,393	170,309

Note 12. Property, Plant and Equipment (continued)

Reconciliation of carrying amounts at the beginning and end of the year

	MOTOR VEHICLES $	OFFICE EQUIPMENT $	PLANT & EQUIPMENT $	TOTAL $
Year ended 30 June 2015				
At 1 July 2014 net of accumulated depreciation	80,290	24,289	65,730	170,309
Additions	-	3,014	5,105	8,119
Disposals	-	(111)	-	(111)
Depreciation charge for the year	(28,175)	(16,157)	(17,592)	(61,924)
At 30 June 2015 net of accumulated depreciation	**52,115**	**11,035**	**53,243**	**116,393**
Year ended 30 June 2014				
At 1 July 2013 net of accumulated depreciation	140,298	44,716	58,985	243,999
Additions	-	5,304	21,590	26,894
Disposals	(25,096)	(5,001)	-	(30,097)
Depreciation charge for the year	(34,912)	(20,730)	(14,845)	(70,487)
At 30 June 2014 net of accumulated depreciation	**80,290**	**24,289**	**65,730**	**170,309**

Note 13. Exploration and Evaluation Assets

	2015 $	2014 $
Exploration and evaluation assets	55,156,524	60,428,432
Movements in carrying amounts		
Balance at the beginning of the year	60,428,432	43,258,305
Additions	4,272,961	27,025,467
Exploration consumables	-	1,159,682
Research & Development grants relating to exploration	(9,394,531)	(11,015,022)
Exploration expenditure written off	(150,338)	-
Balance at the end of the year	**55,156,524**	**60,428,432**

The recoverability of the carrying amount of exploration and evaluation assets is dependent on the successful development and commercial exploitation or, alternatively, sale of the respective areas of interest.

Note 14. Trade and Other Payables

	2015 $	2014 $
Trade creditors	335,305	231,978
Accrued expenses	562,720	402,263
	898,025	**634,241**

Trade and other payables are non-interest bearing and are generally on 30-60 day terms. Due to the short term nature of these payables, their carrying value is assumed to approximate fair value.

Note 15. Provisions

	2015 $	2014 $
Employee benefits	74,379	53,828

NOTES TO THE FINANCIAL STATEMENTS

Note 16. Issued Capital

	2015 $	2014 $
(a) Issued and paid up capital		
303,828,057 (2014: 301,390,240) ordinary shares fully paid	89,534,300	89,357,547
Share issue costs	(7,537,691)	(7,529,619)
Recognition of deferred tax asset relating to share issue costs	1,884,370	1,881,949
	83,880,979	**83,709,877**

Ordinary shares participate in dividends and the proceeds on winding up the Company. At shareholder meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on show of hands.

	NUMBER OF SHARES	$
(b) Reconciliation of issued and paid-up capital		
At 1 July 2013	300,000,000	83,362,886
Shares issued as partial settlement of employee bonus arrangements ($0.34 per share, net of share issue costs – 29/08/13)	587,196	198,840
Performance options converted to shares (28/10/13)	180,000	36,000
Shares issued for cash ($0.20 per share – 05/03/14)	325,000	65,000
Shares issued under employment contracts ($0.16 per share, net of share issue costs – 5/3/14)[1]	298,044	46,056
Recognition of deferred tax asset relating to share issue costs	-	1,095
At 30 June 2014	**301,390,240**	**83,709,877**
Shares issued under employment contracts ($0.154 per share, net of share issue costs – 18/07/14)[1]	308,856	46,051
Shares issued under employment contracts ($0.085 per share, net of share issue costs – 2/10/14)[1]	484,857	39,599
Shares issued under employment contracts ($0.059 per share, net of share issue costs – 22/12/14)[1]	337,572	18,162
Shares issued under employment contracts ($0.047 per share, net of share issue costs – 14/1/15)[1]	579,553	25,625
Shares issued under employment contracts ($0.056 per share, net of share issue costs – 2/4/15)[1]	726,979	39,244
Recognition of deferred tax asset relating to share issue costs	-	2,421
At 30 June 2015	**303,828,057**	**83,880,979**

[1]Refer to note 17(b) for details of this arrangement.

Note 16. Issued Capital (continued)

(c) Options

As at 30 June 2015, there were 20,480,000 unissued ordinary shares of Armour Energy Ltd under option, held as follows:

- 3,850,000 unlisted options to take up one ordinary share in Armour Energy Ltd (issued under the Armour Energy Employee Share Option Plan during the year ended 30 June 2014) at an exercise price of 50 cents. The options vest over a 6, 18 and 30 month period, and expire commencing 2 September 2016 to 26 August 2018.
- 3,750,000 unlisted options to take up one ordinary share in Armour Energy Ltd (issued under the Armour Energy Employee Share Option Plan during the year ended 30 June 2014) at an exercise price of 75 cents. The options vest over a 6, 18 and 30 month period, and expire commencing 24 July 2018 to 26 August 2018.
- 3,750,000 unlisted options to take up one ordinary share in Armour Energy Ltd (issued under the Armour Energy Employee Share Option Plan during the year ended 30 June 2014) at an exercise price of 1 dollar. The options vest over a 6, 18 and 30 month period, and expire commencing 24 July 2018 to 26 August 2018.
- 3,130,000 unlisted options to take up one ordinary share in Armour Energy Ltd (issued under the Armour Energy Employee Share Option Plan during the year ended 30 June 2014) at an exercise price of 26 cents. The options vested immediately on grant, and expire 24 February 2017.
- 2,400,000 unlisted options to take up one ordinary share in Armour Energy Ltd (issued under the Armour Energy Employee Share Option Plan during the year ended 30 June 2015) at an exercise price of 10 cents. The options vested immediately on grant, and expire 6 February 2016.
- 2,400,000 unlisted options to take up one ordinary share in Armour Energy Ltd (issued under the Armour Energy Employee Share Option Plan during the year ended 30 June 2015) at an exercise price of 20 cents. The options vested immediately on grant, and expire 6 February 2017.
- 1,200,000 unlisted options to take up one ordinary share in Armour Energy Ltd (issued under the Armour Energy Employee Share Option Plan during the year ended 30 June 2015) at an exercise price of 30 cents. The options vested immediately on grant, and expire 6 February 2018.

(d) Performance Shares

As at 30 June 2015, there was nil Performance Shares of Armour Energy Ltd on issue (2014: 625,000).

(e) Performance Rights

As at 30 June 2015, there was nil Performance Rights of Armour Energy Ltd om issue (2014: 625,000).

(f) Capital Risk Management

Management controls the capital of the Company in order to provide capital growth to shareholders and ensure the Company can fund its operations and continue as a going concern. The Company's capital comprises equity as shown on the statement of financial position. There are no externally imposed capital requirements. Management effectively manages the Company's capital by assessing the Company's financial risk and adjusting its capital structure in response to changes in these risks and the market. These responses include the management of share issues. There have been no changes in the strategy adopted by management to control the capital of the Company since the prior year.

Note 17. Share-Based Payments

	2015 $	2014 $
(a) Recognised share-based payments		
Expense arising from equity settled share-based payment transactions recorded in the statement of comprehensive income	616,827	1,837,800
Share based payments issued in lieu of wages and salaries	**176,751**	**248,535**

The share-based payments are described below. There have been no cancellations or modifications to any of the share based payments during 2015 and 2014.

(b) Types of Share-Based Payment Plans

Employee share option plan (ESOP)

Share options are granted to employees. The employee share option plan is designed to align participants' interests with those of shareholders by increasing the value of the Company's shares.

When a participant ceases employment prior to the vesting of their share options, the share options are forfeited after 90 days unless cessation of employment is due to termination for cause, whereupon they are forfeited immediately or death. The Company prohibits KMP from entering into arrangements to protect the value of unvested ESOP awards.

The contractual life of each option granted is generally three (3) years. There are no cash settlement alternatives.

Each option can be exercised from vesting date to expiry date for one share with the exercise price payable in cash.

Shares issued under employment contracts

The Company's Management agreed for 20 per cent of their base remuneration to be paid by way of shares in the Company. The shares are issued in advance, based on the preceding 20-day VWAP. This arrangement will be applicable for a limited time and is subject to Board approval each quarter.

(c) Summaries of Share-Based Payment Plans

Summary of employee share options granted

The following table illustrates the number (no.) and weighted average exercise prices (WAEP) of, and movements in, share options granted during the year under the employee share option plan:

	2015 NO.	2015 WAEP	2014 NO.	2014 WAEP
Outstanding at the beginning of the year	38,930,000	$0.55	24,950,000	$0.50
Granted during the year	6,000,000	$0.18	14,580,000	$0.64
Forfeited during the year	-	-	(600,000)	$0.50
Exercised during the year	-	-	-	-
Expired during the year	(24,450,000)	$0.50	-	-
Outstanding at the end of the year	**20,480,000**	**$0.63**	**38,930,000**	**$0.55**
Exercisable at the end of the year	**16,630,000**	**$0.57**	**21,180,000**	**$0.46**

Note 17. Share-Based Payments (continued)

In 2015, the company issued to employees a total of 6,000,000 share options to employees under the employee share option plan. Details of issues are below.

- 2,400,000 unlisted options to take up one ordinary share in Armour Energy Ltd (issued under the Armour Energy Employee Share Option Plan during the year ended 30 June 2015) at an exercise price of 10 cents. The options vested immediately on grant, and expire 6 February 2016.
- 2,400,000 unlisted options to take up one ordinary share in Armour Energy Ltd (issued under the Armour Energy Employee Share Option Plan during the year ended 30 June 2015) at an exercise price of 20 cents. The options vested immediately on grant, and expire 6 February 2017.
- 1,200,000 unlisted options to take up one ordinary share in Armour Energy Ltd (issued under the Armour Energy Employee Share Option Plan during the year ended 30 June 2015) at an exercise price of 30 cents. The options vested immediately on grant, and expire 6 February 2018.

SUMMARY OF PERFORMANCE SHARES GRANTED

The following table illustrates the number (no.) of, and movements in, Performance Shares granted during the year:

	2015 NO.	2014 NO.
Outstanding at the beginning of the year	625,000	805,000
Granted during the year	-	-
Forfeited during the year	-	-
Exercised during the year	-	(180,000)
Expired during the year	(625,000)	-
Outstanding at the end of the year	**-**	**625,000**

SUMMARY OF PERFORMANCE RIGHTS GRANTED

The following table illustrates the number (no.) of, and movements in, Performance Rights granted during the year under the Performance Rights Plan:

	2015 NO.	2014 NO.
Outstanding at the beginning of the year	625,000	625,000
Granted during the year	-	-
Forfeited during the year	-	-
Exercised during the year	-	-
Expired during the year	(625,000)	-
Outstanding at the end of the year	**-**	**625,000**

Note 17. Share-based Payments (continued)

(d) Share Based Payment Pricing Model

The fair value of the equity settled share-based payments granted (including ESOP) is estimated using a Black-Scholes options pricing model taking into account the terms and conditions upon which the instruments were granted.

The following table lists the inputs to the models used for the years ended 30 June 2015 and 2014:

	2015	2014
Employee share options		
Weighted average exercise price	$0.18	$0.64
Weighted average life of the option	1.80 years	4.56 years
Underlying share price	$0.066	$0.18 – $0.28
Expected share price volatility	85.441%	96.585% – 106.547%
Risk free interest rate	1.94%	2.64% – 3.10%
Number of options issued	6,000,000	14,580,000
Value (Black-Scholes) per option	$0.013 – $0.15	$0.097 – $0.198
Total value of options issued	$80,723	$2,366,355

Expected share price volatility was determined using historical volatility.

Note 18. Reserves: Nature and Purpose

(a) Share-Option Reserve, Performance Shares Reserve and Performance Rights Reserve

The share option reserve, performance shares reserve and performance rights reserve (collectively "share based payments") is used to recognise the grant date fair value of share based payments issued to employee and other service providers.

(b) Financial Assets Revaluation Reserve

The group has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income. These changes are accumulated in a separate reserve within equity. The entity does not have any policy on transferring amounts from this reserve to another reserve or to retained earnings when the relevant equity securities are sold.

Note 19. Cash Flow Reconciliation

	2015 $	2014 $
Profit (Loss) after income tax	(6,575,074)	(6,668,943)
Non-cash items		
- Share based payments	792,207	2,086,335
- Depreciation	61,924	70,487
- Change in FV on investments through Profit or Loss	(2,220)	(1,111,780)
- Loss on disposal of assets	-	26,706
- Exploration expenditure written off/ impaired	150,338	-
Interest income classified as investing activities	-	(133,600)
Changes in operating assets and liabilities*		
(Increase) decrease in trade and other receivables	(31,585)	910,675
(Increase) decrease in other current assets	25,758	487,382
(Increase) decrease in Deferred tax assets	2,355,536	1,852,943
Increase (decrease) in trade and other payables	266,782	(1,354,519)
Increase (decrease) in provisions	20,551	(52,552)
Net cash flows from operating activities	**(2,935,783)**	**(3,886,866)**

* Net of amounts relating to exploration and evaluation assets.

Equity settled share based payment transactions are disclosed in note 17.

Note 20. Related Party Disclosures

(a) Ultimate Parent

Armour Energy is the ultimate parent of the group, and listed on the ASX on 26 April 2012.

(b) Key Management Personnel

Details relating to key management personnel, including remuneration paid are detailed in the Remuneration report.

(c) Transactions With Related Parties

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year:

RELATED PARTY		SALES TO RELATED PARTIES	PURCHASES FROM RELATED PARTIES	OTHER TRANSACTIONS WITH RELATED PARTIES
DGR Global Ltd (i)	2015	-	476,000	-
	2014	-	435,000	-

(i) The Company has a commercial arrangement with DGR Global Ltd for the provision of various services, whereby DGR Global provides resources and services including the provision of its administration and exploration staff, its premises (for the purposes of conducting the Company's business operations), use of existing office furniture, equipment and certain stationery, together with general telephone, reception and other office facilities ("Services"). In consideration for the provision of the Services, the Company paid DGR Global a monthly management fee of $40,000 (2014: $40,000) from July 2014 to April 2015. From May to June 2015, the monthly management fee was reduced to $38,000 per month, in line with reducedoverhead costs. For the year ended 30 June 2015 $476,000 (2014: $435,000) was paid or payable to DGR Global for the provision of the Services. The total amount outstanding at year end was $49,261 (2014: nil).

The outstanding balances at each relevant year end are unsecured, interest free and settlement occurs in cash.

(d) Loans From Related Parties

No such loans existed at any time during the year ended 30 June 2015 (2014: $nil).

Note 21. Capital Commitments

(a) Future Exploration Commitments

The Company has certain obligations to expend minimum amounts on exploration in tenement areas. These obligations may be varied from time to time and are expected to be fulfilled in the normal course of operations of the Company. The commitments are as follows:

	2015 $	2014 $
Less than 12 months	36,342,167	45,607,500
Between 12 months and 5 years	19,425,833	56,813,333
	55,768,000	**102,420,833**

To keep tenements in good standing, work programs should meet certain minimum expenditure requirements. If the minimum expenditure requirements are not met, the Company has the option to negotiate new terms or relinquish the tenements. The Company also has the ability to meet expenditure requirements by joint venture or farm-in agreements.

Note 22. Financial Risk Management

(a) General Objectives, Policies and Processes

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in this note. The Company's financial instruments consist mainly of deposits with banks, receivables, other financial assets and payables.

The Board has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function.

The overall objective of the Board is to set polices that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below:

(b) Credit Risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Company incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Company. The Company's objective is to minimise the risk of loss from credit risk exposure.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Credit risk is reviewed regularly by the Board. It arises from exposure to receivables as well as through deposits with financial institutions. There is no collateral held as security.

The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Company and at balance date.

NOTES TO THE FINANCIAL STATEMENTS

Note 22. Financial Risk Management (continued)

The Company's cash at bank is spread across multiple Australian financial institutions to mitigate credit risk, such as Macquarie Bank (local currency short term rating A-1), ANZ (local currency short term rating A-1+) and Westpac (local currency short term rating A-1+).

(c) Liquidity Risk

Liquidity risk is the risk that the Company may encounter difficulties raising funds to meet financial obligations as they fall due. The objective of managing liquidity risk is to ensure, as far as possible, that the Company will always have sufficient liquidity to meets its liabilities when they fall due, under both normal and stressed conditions.

Liquidity risk is reviewed regularly by the Board.

The Company manages liquidity risk by monitoring forecast cash flows and liquidity ratios such as working capital. The Company did not have any financing facilities available at balance date.

All financial liabilities are due within 12 months.

(d) Market Risk

Market risk arises from the use of interest bearing, tradable and foreign currency financial instruments and investments in listed securities. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk). The Company does not have any material exposure to market risk other than interest rate risk and price risk on available for sale financial assets.

Interest rate risk

Interest rate risk arises principally from cash and cash equivalents. The objective of interest rate risk management is to manage and control interest rate risk exposures within acceptable parameters while optimising the return.

For further details on interest rate risk refer to the following tables:

	FLOATING INTEREST RATE 2015 $	FIXED INTEREST RATE 2015 $	NON-INTEREST BEARING 2015 $	TOTAL CARRYING AMOUNT 2015 $	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE 2015 $
(i) Financial assets					
Cash and cash equivalents	8,533,160	-	-	8,533,160	1.53%
Trade and other receivables	-	-	191,672	191,672	N/A
Available for sale financial assets	-	-	4,252,000	4,252,000	N/A
Security deposits	-	-	989,972	989,972	N/A
Total financial assets	**8,533,160**	**-**	**5,433,644**	**13,966,804**	
(ii) Financial liabilities					
Trade and other payables	-	-	898,025	898,025	N/A
Total financial liabilities			**898,025**	**898,025**	

Note 22. Financial Risk Management (continued)

	FLOATING INTEREST RATE 2014 $	FIXED INTEREST RATE 2014 $	NON-INTEREST BEARING 2014 $	TOTAL CARRYING AMOUNT 2014 $	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE 2014 $
(i) Financial assets					
Cash and cash equivalents	1,005,924	5,469,017	-	6,474,941	3.52%
Trade and other receivables	-	-	119,159	119,159	N/A
Available for sale financial assets	-	-	6,044,000	6,044,000	N/A
Investments at fair value through profit or loss	-	222,000	219,780	441,780	10%
Security deposits	-	-	921,037	921,037	N/A
Total financial assets	**1,005,924**	**5,691,017**	**7,303,976**	**14,000,917**	**N/A**
(ii) Financial liabilities					
Trade and other payables	-	-	634,242	634,242	
Total financial liabilities	**-**	**-**	**634,242**	**634,242**	**N/A**

Note 22. Financial Risk Management (continued)

The Company has performed a sensitivity analysis relating to its exposure to interest rate risk. This demonstrates the effect on the profit and equity which could result from a change in these risks.

At 30 June 2015 the effect on profit and equity as a result of changes in the interest rate at that date would be as follows:

	2015 $	2014 $
Change in profit and equity		
- Increase in interest rate by 1%	85,332	10,059
- Decrease in interest rate by 1%	(85,332)	(10,059)

(e) Fair Value

The fair values of financial assets and liabilities approximate their carrying amounts principally due to their short-term nature or the fact that they are measured and recognised at fair value.

The following table presents the Company's financial assets and liabilities measured and recognised at fair value at 30 June 2015.

	LEVEL 1 $	LEVEL 2 $	LEVEL 3 $	TOTAL $
2015				
Available for sale financial asset	4,252,000	-	-	4,252,000
2014				
Available for sale financial asset	6,044,000	-	-	6,044,000

Available for sale financial assets and investments at fair value through profit or loss are measured based on quoted securities.

NOTES TO THE FINANCIAL STATEMENTS

Note 23. Operating Segments

The Company has identified its operating segment based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Company is managed primarily on a geographic basis, which is the location of the respective areas of interest (tenements) in Queensland and the Northern Territory, Australia. Operating segments are determined on the basis of financial information reported to the Board. The Company does not yet have any products or services from which it derives an income.

Accordingly, management currently identifies the Company as having only one reportable segment, being exploration for shale oil and gas. The financial results from this segment are equivalent to the financial statements of the Company. The results of Ripple Resources Pty Ltd are currently considered immaterial and accordingly are reported together with the shale oil and gas assets. There have been no changes in the operating segments during the year.

Note 24. Contingent Liabilities

Exploration Liabilities

Under the Company's native title agreement over EP 171 and EP 176, the Company is required to pay the greater of either $10,000 or 3% of exploration costs on each anniversary date.

Under the Company's native title agreement over EP 174, EP 190, EP 191 and EP 192, the Company is required to pay the greater of either $5,000 or 3% of exploration costs on each anniversary date.

Under the Company's native title agreement over ATP1087, the Company is required to pay the greater of either $50,000, or:

- 3% of exploration costs within the preceding financial year; and
- 1.5% of the Exploration Costs incurred in the Shared Area within the preceding financial year.

There are no other contingent assets and liabilities at 30 June 2015.

Note 25. Controlled Entities

				PERCENTAGE OWNED	
CONTROLLED ENTITIES	COUNTRY OF INCORPORATION	PRINCIPLE ACTIVITY	PRINCIPLE PLACE OF BUSINESS	2015	2014
Parent Entity:					
Armour Energy Ltd	Australia	Petroleum Exploration	Northern Australia	100%	100%
Subsidiaries of Armour Energy:					
Ripple Resources Pty Ltd	Australia	Mineral Exploration	Northern Australia	100%	100%
Armour Energy (Victoria) Pty Ltd	Australia	Petroleum Exploration	Victoria	100%	100%

NOTES TO THE FINANCIAL STATEMENTS

Note 26. Parent Company

The Corporations Act requirement to prepare parent entity financial statements where consolidated financial statements are prepared has been removed and replaced by Regulation 2M.3.01 which requires the following limited disclosure in regard to the parent entity (Armour Energy Limited). The consolidated financial statements incorporate the assets, liabilities and results of the parent entity in accordance with the accounting policy described in Note 1(b).

PARENT ENTITY	2015 $	2014 $
Statement of Financial Position		
Current Assets	8,991,079	6,891,484
Non-current Assets	60,659,486	68,512,410
Total Assets	69,650,565	75,403,894
Current Liabilities	947,375	686,324
Non-current liabilities	1,177,530	-
Total Liabilities	2,124,905	686,324
Net Assets	**67,525,660**	**74,717,570**
Issued Capital	83,880,979	83,709,877
Performance Shares Reserve	125,000	125,000
Performance Rights Reserve	125,000	125,000
Option Reserve	3,131,696	2,514,869
Financial Assets Revaluation Reserve	(2,809,800)	(1,244,600)
Accumulated Losses	(16,927,215)	(10,512,576)
Total Shareholder's equity	**67,525,660**	**74,717,570**
Statement of Comprehensive Income		
Profit/(loss) for the year	**(6,414,640)**	**(6,666,606)**
Total comprehensive income for the year	**(7,979,840)**	**(9,486,206)**

Note 26. Parent Company (continued)

GUARANTEES

No guarantees have been entered into by the parent entity in relation to debts of its subsidiaries.

CONTRACTUAL COMMITMENTS

There were no contractual commitments for the acquisition of property, plant and equipment entered into by the parent entity at 30 June 2015 (2014 – nil).

CONTINGENT LIABILITIES

The parent entity has no contingent liabilities.

Note 27. Subsequent Events

On 20 August 2015, the Company announced that it had executed a non-binding Letter of Intent ("LOI") with American Energy – Acquisitions LLC, an affiliate of American Energy Partners, LP ("AEP"), whereby AEP and the Company will jointly further the exploration and development of Armour's extensive oil and gas prone McArthur Basin Project in the Northern Territory of Australia.

On 31 August 2015, Westside Corporation Limited (Bidder) announced an unsolicited takeover bid for all of the shares in Amour Energy Limited. The takeover bid is comprised of a cash offer of $0.12 per share, and is subject to conditions including the Bidder holding a relevant interest in least 50.1% of Armour shares, and Armour not proceeding with the transaction with AEP. The Directors have advised shareholders to take no action in relation to the takeover bid, until further advised by the Board.

On 2 September 2015, the Company announced the execution of Sale and Purchase Agreements to acquire the oil and gas interests of Origin Energy at Roma in the Surat Basin, Queensland for AUD $13m with the following consideration: an initial payment of $10m, then $3m in $1m annual tranches over three years from the first anniversary of gas sales. The execution of the Agreements follow a comprehensive tender process which culminated in Armour being selected as preferred tenderer.

Apart from the above, the Directors are not aware of any significant changes in the state of affairs of the Company after the balance date that is not covered in this report.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Armour Energy Ltd, I state that:

1. In the opinion of the Directors:

   (a) The attached financial statements and notes of Armour Energy Ltd for the financial year ended 30 June 2015 are in accordance with the Corporations Act 2001, including:

      (i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and its performance for the year ended on that date; and

      (ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

   (b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1;

   (c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

   (d) The remuneration disclosures contained in the Remuneration Report comply with s300A of the Corporations Act 2001.

2. The Directors have been given the declarations required to be made by the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2015.

On behalf of the board

Nicholas Mather
Executive Chairman

Brisbane
Date: 2 September 2015

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INDEPENDENT AUDITOR'S REPORT

To the members of Armour Energy Limited

Report on the Financial Report

We have audited the accompanying financial report of Armour Energy Limited, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Armour Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Armour Energy Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity, successful exploration and subsequent exploitation of the consolidated entity's tenements, and/or sale of non-core assets. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 25 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Armour Energy Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

BDO Audit Pty Ltd

BDO

Tim Kendall

Timothy Kendall
Director

Brisbane, 2 September 2015

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