ARMOUR ENERGY LIMITED

ABN: 60 141 198 414

HALF-YEAR FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

CORPORATE INFORMATION

DIRECTORS
Nicholas Mather
William (Bill) Stubbs
Roland Sleeman
Stephen Bizzell

COMPANY SECRETARY
Karl Schlobohm

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COUNTRY OF INCORPORATION
Australia

STOCK EXCHANGE LISTING
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ASX Code: AJQ

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AUSTRALIAN BUSINESS NUMBER
60 141 198 414

DIRECTORS' REPORT

Your Directors present their report on the company for the half-year ended 31 December 2015. Armour Energy Limited (the "Company" or "Armour") is a public company limited by shares that is incorporated and domiciled in Australia.

DIRECTORS

The names of the Directors in office at any time during or since the end of the period are:

Nicholas Mather
William (Bill) Stubbs
Roland Sleeman
Stephen Bizzell

Directors have been in office since the start of the period to the date of this report unless otherwise stated.

PRINCIPAL ACTIVITIES

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

During the half-year, the Company acquired petroleum resources, tenures, production and transportation infrastructure assets on the Roma Shelf, Queensland. These assets will provide gas, oil, LPG and condensate products from which the company will generate an income, and will become a principal activity for the Company.

REVIEW AND RESULTS OF OPERATIONS

Armour Energy (Armour) is focused on the discovery and development of world class gas and associated liquids resources in an extensive hydrocarbon province in northern Australia which was first discovered in the early 1990s. This region has only recently had its shale potential identified by Armour. Today's business environment with strong domestic and global demand for gas, 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's permit areas in northern Australia, 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 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.

During the half-year, the Company acquired petroleum (oil and gas) resources, tenures, production and transportation infrastructure assets which will enable the Company to become a significant producer of gas, LPG, condensate and oil on the Roma Shelf, Surat Basin, in Queensland. The production facilities include field gas compression, extensive gathering systems, the Kincora gas processing plant, and a dedicated pipeline to the Roma to Brisbane Pipeline at Wallumbilla. The assets also include the Newstead (underground) gas storage facility and other potential gas storage facilities. Furthermore, the assets include a number of oil fields with associated facilities.

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 into a significant gas exploration and development company.

The loss after income tax for the half-year ended 31 December 2015 was $5,659,020 (31 December 2014: $1,279,080).

HIGHLIGHTS

- Northern Territory tenements:
  - Armour entered into definitive agreements for a major farm-out transaction in the Northern Territory with American Energy Partners;
  - Maiden Prospective Gas Resources in the Tawallah Group, McArthur Basin (NT) and in the Riversleigh Shale Formation (QLD);
  - Jemena selected by the Northern Territory Government to construct and operate the NEGI.

- Surat Basin:
  - Armour to become a significant Gas, LPG, Condensate and Oil producer on the Roma Shelf, Surat Basin.

- Ripple Resources:
  - Regional modelling of prospective metal-bearing strata within the Tawallah Group;
  - Interpretation of open-file and Armour 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.

- Victoria (JV with Lakes Oil):
  - Drilling of conventional well Otway-1 has been postponed due to the Victorian onshore drilling moratorium.

- General:
  - Westside takeover;
  - DGR bridging loan facility.

<u>Northern Territory</u>

Armour entered into definitive agreements for a major farm-out transaction in the Northern Territory with American Energy Partners

As initially announced to the ASX on 20 August 2015 (in respect of the LOI), and subsequently on 11 September 2015 (in respect of the Definitive Agreements), Armour and an Australian Affiliate of American Energy Global Partners (AEGP) entered into Definitive Agreements for a major farm-out transaction in the Northern Territory. Under the agreements, AEGP can acquire up to 75% working interest and operatorship of Armour's McArthur Basin oil and gas tenements in the Northern Territory through expenditure of USD130 million over 5 years.

For more information, refer to the Events After the Balance Sheet Date, on page 10, as well as Armour's ASX releases of 20 August and 11 September 2015, and the Target's Statement of 7 October 2015.

Maiden Prospective Gas Resources in the Tawallah Group, McArthur Basin (NT) and in the Riversleigh Shale Formation (QLD)

An update on Prospective Gas Resources in the Northern Territory and Queensland was undertaken by the Company, as set out in Table 1. The prospective resource assessment was performed independently by SRK Consulting (Australasia) Pty Ltd.

Armour's total Best Estimate Prospective Gas Resources in Northern Australia increased from 34 to 57 Trillion cubic feet (Tscf), a 66% increase, as of September 2015, compared to resources previously reported.

The update included maiden Prospective Gas Resources from the Tawallah Group Unconventional Reservoirs in the McArthur Basin of the Northern Territory, as first announced by Armour on 29 April 2015, and the Riversleigh Shale located beneath the Lawn Hill Shale in ATP 1087, Queensland.

In addition, a new combined inventory totalling 193 conventional leads and prospects in the Northern Territory can target 4.9 Tscf of Best Estimate Prospective Gas Resources.

Previous (best estimate)		Updated (best estimate)	
NT unconventional gas	**Tscf**	**NT unconventional gas**	**Tscf**
Barney Creek Shale (EP171, 176) (1)	13.0	Barney Creek Shale (EP171, 176) (1)	13.0
		Wollogorang Shale, Tawallah Group (5)	6.9
		McDermott Shale, Tawallah Group (5)	10.1
NT conventional gas		**NT conventional gas**	
All leads and prospects (1)(2)(3)	2.6	All leads and prospects (1)(2)(3) (5)	4.9
NT total gas prospective resources	**15.6**	**NT total gas prospective resources**	**34.9**
Qld unconventional gas		**Qld unconventional gas**	
Lawn Shale (ATP1087) (4)	18.7	Lawn Shale (ATP1087) (6)	8.1
		Riversleigh Shale (ATP1087) (7)	14.0
Qld total gas prospective resources	**18.7**	**Qld total gas prospective resources**	**22.1**
NT/Qld gas prospective resources	**34.3**	**NT/Qld gas prospective resources**	**57.0**

Table 1 – Armour's updated Prospective Gas Resources – NT and Qld (best estimates, recoverable)

TABLE 1 FOOTNOTES- RESOURCE REPORTS

(1) MBA Report, Conventional and Unconventional Prospective Resource Estimate EP 171 & EP 176, NT, October 2011
(2) D&M Report, Prospective Resources Attributed to Certain Prospects in Various License Blocks, NT, April 2013
(3) SRK Report, Coxco Dolomite Resource Evaluation Batten Trough, McArthur Basin, EP 171, 176, 190, NT, November 2013
(4) MBA Report, Unconventional Prospective Resource Assessment, ATP (A) 1087, QLD, November 2011
(5) SRK Report, SRK Report, Conventional and Unconventional Resource Assessment of the Wollogorang and McDermott Formations – Tawallah Group, NT, September 2015
(6) SRK Report, Lawn Hill Formation Prospective Gas Resources ATP 1087, QLD, September 2015
(7) SRK Report, Riversleigh Siltstone Formation Prospective Gas Resources ATP 1087, QLD, September 2015

Jemena selected by the Northern Territory Government to construct and operate the NEGI

Jemena Northern Gas Pipeline Pty Ltd (Jemena) has been selected by the Northern Territory Government to construct and operate the North East Gas Interconnector (NEGI) Pipeline and that the NEGI will be constructed via the Northern Route from Tennant Creek, Northern Territory to Mount Isa, Queensland, a distance of 622 kilometres (see Figure 1). The pipeline will cost $800 million to construct, without any financial commitment from taxpayers and is expected to be constructed by the end of 2018.

The new pipeline is a significant enabler for upstream gas projects in the Northern Territory. It will provide additional and large scale market access for vast gas resources identified in recent years by Armour and other explorers in the Northern Territory by connecting this new petroleum province to growing east coast gas markets. Gas demand on the east coast of Australia is projected to surge to above 2000 PJ per annum by the end of 2016, up from less than 700 PJ per annum 2 years ago, as Queensland's CSG to LNG projects are added to the east coast's existing domestic gas requirements. East coast gas demand includes that of NSW which has so far been unable to develop its own gas resources to service its population's needs.

It has been announced that the Northern Route for the new pipeline has been selected from Tennant Creek to Mount Isa and is expected to traverse Armour's Exploration Permits (EP) 177 and 178. EPs 177 and 178 are part of Armour's Northern Territory portfolio.

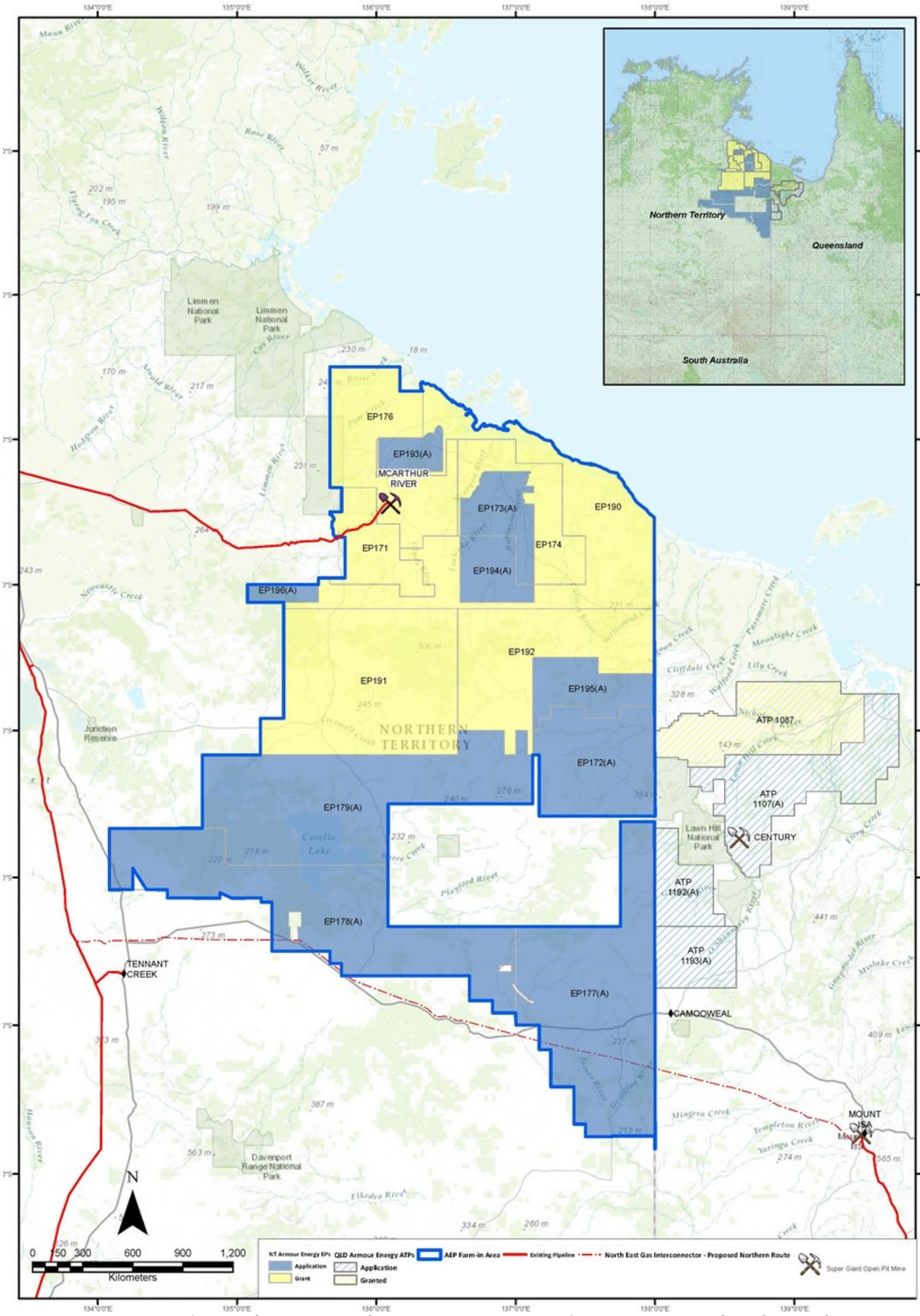

Figure 1 – Armour's Northern Australian tenements, AEP farmin area, and NEGI pipeline route

Surat Basin, Queensland

Armour to become a significant Gas, LPG, Condensate and Oil producer on the Roma Shelf, Surat Basin

As announced on 2 September 2015, Armour executed Sale and Purchase Agreements (Agreements) to acquire the oil and gas interests of Origin Energy (Origin) on the Roma Shelf in the Surat Basin, Queensland for AUD $13m as 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 followed a comprehensive tender process which culminated in Armour being selected as preferred tenderer in early August 2015.

The acquisition will provide the opportunity for Armour to become, following recommissioning of the Kincora Gas and LPG Plant and pending further resource upgrades and discoveries, a petroleum producer for up to 10 PJs per annum of gas, 110,000 barrels of condensate, 21,000 tonnes of LPG and 100,000 barrels of oil per annum. Condensate is a very light oil which precipitates from gas on natural pressure drops during production and can attract a premium to crude oil prices of approximately 10-20% while LPG sells for approximately $600 per tonne wholesale. Recommissioning the plant and infrastructure is forecast to take 6 to 12 months, following which Armour believes that it will initially be able to produce at approximately 7 mmscf/d. Oil production can re-commence within two to three months of formal transfer of ownership (as oil production does not require the Kincora plant to be operational) and is expected to commence at 50 bbl/d from the Emu Apple and Riverslea fields.

The assets include:

Production licences and near term Petroleum Resources

- Origin's interests in 19 Production Licences (6 non-operated) and 4 ATPs (2 non-operated) – see Table 3.
- 76 wells of which 38 wells will be brought back on production as soon as possible. The 38 wells show variable resource development extensions evident in the historic logs of the wells.
- Production recoverable from existing wells and stimulation of production zones in existing wells:

Sales gas PJ	LPG kTonne	Condensate kbbl	Oil kbbl
23.0	51.9	245	154

Table 2

Kincora Gas and LPG Plant and Infrastructure

- Gas, LPG and condensate processing and gas compression facilities at Kincora, south of Roma. These have been on care and maintenance by Origin since 2012 and will be recommissioned by Armour.
- A number of in field gas compression and stand-alone oil gathering / processing facilities as well as inter-field pipelines.
- A dedicated pipeline from the Kincora Gas Plant to Wallumbilla connecting to the Roma to Brisbane Pipeline.

An established gas storage facility

- A gas storage facility with a capacity of 7.5 PJ, currently containing 2.3 PJ of sales gas.

Armour estimates the replacement value of the infrastructure at over $250m. In recent years these assets have become non-core to Origin and the potential of the above ground facilities and below ground prospectivity has not been fully realised.

Armour intends to apply its considerable experience in operations to the recommissioning of the plant and conversion of contingent resources to reserves and production. Armour will also focus on the discovery and definition of further resources using 3D seismic, lateral well drilling technology and well stimulation techniques which have not been applied in this area in the past.

Tenement	Interest	Operated
PL 14	100%	Y
PL 53	100%	Y
PL 70	100%	Y
PL 511 (formerly PL 174)	100%	Y
PL 227	100%	Y
PPL 3	100%	Y
PPL 20	100%	Y
PPL 63	100%	Y
Newstead Gas Storage	100%	Y
PL 28	46.25%	
PL 69	46.25%	
PL 89	46.25%	
PL 320 (formerly PL 10W)	46.25%	
PL 11W	46.25%	
PL 12 W	46.25%	
PL 11 Snake Creek East Exclusion Zone	25%	

Tenement	Interest	Operated
PL 21	87.5%	Y
PL 22	87.5%	Y
PL 27	87.5%	Y
PL 71	90.0%	Y
PL 264	90.0%	Y
ATP 1190 (formerly ATP 471)	50.64%	Y
PL 30	75%	Y
PL 512 (formerly PL 74)	69%	Y
PPL 22	69%	Y
PL 71 (exploration)	72%	Y
ATP 647 (Block 2656)	50%	Y
ATP 754	50%	Y
ATP 1190 (Bainbilla) (formerly ATP 471)	24.748%	

Table 3

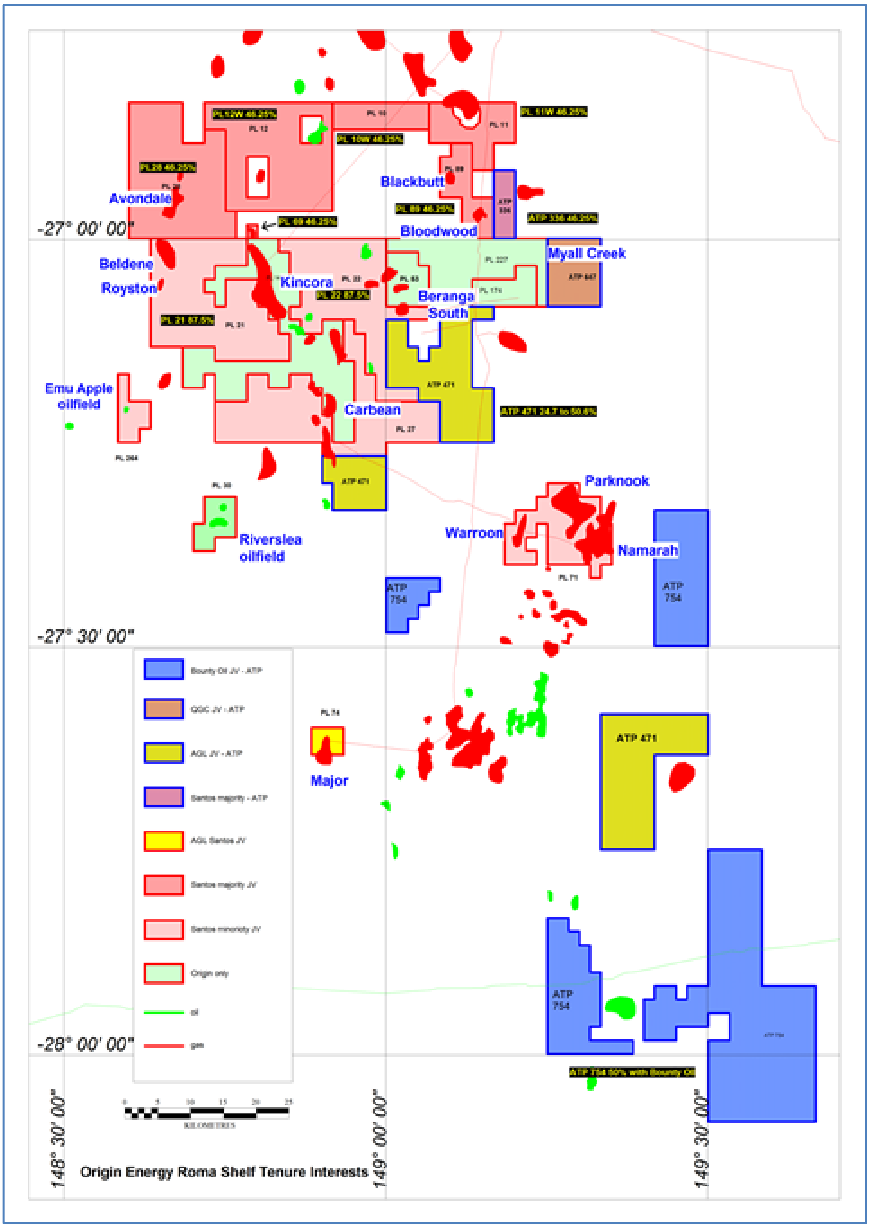

Figure 2 – Roma Shelf Tenure Interests

Lakes Oil Joint Venture, Victoria (Tenement PEP169)

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.

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.

After the election in November 2014 and a change of Government, the moratorium continues in Victoria and approval to drill Otway-1 is yet to be received. In the meantime, Armour will continue to focus on its exploration activities in Northern Australia.

Ripple Resources

Armour'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 licences have been obtained, of which approximately 45% have been granted to date.

Exploration work undertaken within Ripple Resources granted exploration permits includes

- Regional modelling of prospective metal-bearing strata within the Tawallah Group;
- Interpretation of open-file and Armour 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.

General

Westside takeover

On 31 August 2015, Westside Corporation (Westside) announced an unsolicited takeover bid for all of the shares in Armour, at $0.12 per share (which subsequently increased to a cash payment of $0.20 per share and a dividend in specie of Lakes Oil Shares), subject to conditions including the Bidder holding a relevant interest in at least 50.1% of Armour shares, and Armour not proceeding with the transaction with AEGP announced by Armour on 20 August 2015.

On 30 October 2015, Armour shareholders approved resolutions relating to the transaction with AEGP at the extraordinary general meeting, and consequently as a result of those resolutions, on 5 November 2015, Westside announced that the off-market takeover bid had been withdrawn.

DGR bridging loan facility

Armour has entered into a short-term, debt finance facility from DGR Global Limited (DGR Global) as announced on 30 September 2015, for the acquisition of the Surat Basin Assets of Origin.

The DGR Global facility is available to Armour until 31 March 2016 (the maturity date). Armour, at its election, can further extend the term of the facility for 12 months from the Maturity Date, only on the basis that it provides the following:

(a) a first ranking security and mortgage over unsecured Surat Basin Assets and a fixed and floating charge over the assets of Armour and subsidiaries and the assets of those subsidiaries (which has now been done, refer to the events subsequent to the half year report);

(b) the grant of a 0.5 per cent gross sales royalty over production from the Surat Basin Assets;

(c) the grant of 50,000,000 options (which would be exercisable at 150% of Armour's closing share price immediately prior to grant, for a period of 2 years from the Maturity Date); and

(d) a right to convert no more than 50% of any part of the drawn part of the facility to share equity in Armour at any time, at 90% of the preceding 10 day volume weighted average in accordance with the provisions of the Corporations law and ASX Listing Rules but subject to Armour having a right if conversion is requested to repay the funding early.

Armour is progressing negotiations for alternative funding options.

EVENTS AFTER THE BALANCE SHEET DATE

Farm-out transaction in the Northern Territory between Armour and AEGP

Further to its announcements of 18 January, 29 January and 4 February 2016 in relation to the proceedings instituted by AEGP in the Supreme Court of Queensland against Armour, and separate proceedings instituted by Armour against AEGP, Armour wishes to provide the following update.

The two sets of proceedings in the Supreme Court of Queensland have been consolidated and is proceeding with Armour as the plaintiff and AEGP as the defendant. As previously advised in the 4 February 2016 update, Armour is seeking:

(a) a declaration that the Farm-out Agreement should be completed and specifically performed;
(b) an order that the Farm-out Agreement be specifically performed;
(c) alternatively, a declaration that Armour has used all reasonable endeavours to ensure that the relevant condition as to the assignment of all relevant native title agreements by Armour to AEGP, has been satisfied as expeditiously as possible, and before the relevant deadline in the Farm-out Agreement; and
(d) alternatively, a declaration that Armour is entitled to terminate the Farm-out Agreement.

On 15 February 2016 AEGP filed its Defence and a Counterclaim. In its Counterclaim, AEGP is seeking a number of declarations in respect of the Farm-out Agreement, including that Armour did not satisfy its obligations in respect of the native title agreements condition precedent, and that Armour is not entitled to terminate or seek to terminate the Farm-out Agreement.

On 4 March 2016, AEGP filed an Amended Defence and seeks an order varying the Cut-off Date in the Farm-out Agreement of 9 January 2016 to 9 March 2016.

Transfer of Origin's Roma Shelf assets to Armour

Regulatory approvals relating to the transfer of Origin's Roma Shelf assets to Armour were received on 2 November 2015, and all Sale and Purchase Agreements have completed, except for ATP647 (contained within SPA6) which remains subject to clearance of conditions precedent.

AEGP proportional off-market takeover bid to acquire 13.62% of the ordinary shares in Armour for 25c per share

AEGP made a proportional off-market takeover bid to acquire 13.62% of the ordinary shares in Armour for 25c per share. The offer closed on 12 January 2016. AEGP now owns 40,063,785 ordinary shares in Armour or 12.46% of the Company.

During the half year, and as approved by Armour shareholders at the 30 October 2015 EGM, the Company also completed the placement to AEGP of 16,922,311 ordinary shares at 20 cents each for gross proceeds of approximately $3.38m.

Reduction of financial assurances lodged with Department of Environment and Heritage Protection

As part of the sale and purchase agreements to acquire the Roma Shelf assets from Origin, Armour was required to replace financial assurance guarantees with the Department of Environment and Heritage Protection (DEHP) that were held by Origin, totalling $13.38 million. The purpose of these financial assurances is to ensure compliant rehabilitation of the assets on completion of the project.

Subsequent to the transfer of the assets to Armour, independent consultants were engaged to review the rehabilitation liability of the assets, and it was determined that the financial assurances lodged with the DEHP were eligible to be reduced by $6.01 million.

On 24 February 2016, the DEHP formally assessed Armour's amended application to the reduced amount, and replacement financial assurance guarantees were lodged, resulting in a refund to Armour of $6.01 million.

DGR bridging loan facility

As announced on 18 January 2016, the bridging loan facility offered by DGR Global was secured under documents executed between the parties. Accordingly, the interest rate has been reduced from 22% to 15% per annum.

The $6.01 million refund received from the DEHP financial assurances was repaid to DGR Global in full, resulting in the loan facility being reduced to $13 million, of which $9.28 million has been borrowed by Armour.

Auditor's independence declaration

The Directors received an independence declaration from the auditor of Armour Energy Limited. This is attached on page 12 of this report.

Signed in accordance with a resolution of the Board of Directors.

Nicholas Mather
Executive Chairman

Brisbane
15 March 2016

COMPETENT PERSONS STATEMENTS

Information on the estimated prospective resources relating to Armour Energy Limited exploration permits in northern Queensland and the Northern Territory, Australia, is based on an independent analysis conducted by SRK Consulting (Australasia) Pty Ltd and fairly represents the information and supporting documentation reviewed. The review was carried out in accordance with the SPE Reserves Auditing Standards and the SPE-PRMS guidelines under the supervision of Dr. Bruce McConachie. Dr. McConachie meets the requirements of qualified petroleum reserve and resource evaluator as defined in Chapter 19 of the ASX Listing Rules and consents to the inclusion of this information in this release. The evaluation date and confirmation for the estimates for the new reports was 21 September 2015.

Information on the Contingent Resources relating to Origin's southern Surat Basin PLs and ATPs is based on an independent review conducted by RISC Operations Pty Ltd (RISC) and fairly represents the information and supporting documentation reviewed. The review was carried out in accordance with the SPE Reserves Auditing Standards and the SPE-PRMS guidelines under the supervision of Mr. Bruce Gunn, Principal Advisor with RISC, a leading independent petroleum advisory firm. Mr. Gunn is a member of the SPE and his qualifications include a Bachelor of Science (Hons.) in Earth Sciences from Flinders University in South Australia and a Master of Science from the University of Cape Town, he has more than 30 years of relevant experience. Mr. Gunn meets the requirements of qualified petroleum reserve and resource evaluator as defined in Chapter 19 of the ASX Listing Rules and consents to the inclusion of this information in this release.

The estimated prospective resource review was carried out in accordance with the SPE Reserves Auditing Standards and the SPE-PRMS guidelines under the supervision of Mr. Luke Titus, Chief Geologist, Armour Energy Limited. Mr. Titus qualifications include a Bachelor of Science from Fort Lewis College, Durango, Colorado, USA and he is an active member of AAPG and SPE. He has over 17 years of relevant experience in both conventional and unconventional oil and gas exploration in various international hydrocarbon basins. Mr. Titus meets the requirements of qualified petroleum reserve and resource evaluator as defined in Chapter 19 of the ASX Listing Rules and consents to the inclusion of this information in this release.

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

As lead auditor for the review of Armour Energy for the half-year ended 31 December 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

T J Kendall
Director

BDO Audit Pty Ltd

Brisbane, 15 March 2016

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2015

	Notes	31 December 2015 $	31 December 2014 $
Revenue	3	32,647	76,100
Other Income		-	2,220
Revenue and other income		**32,647**	**78,320**
Administration and consulting expense		(1,294,279)	(774,504)
Depreciation		(28,111)	(32,262)
Employee benefits expenses		(677,896)	(668,182)
Legal Expenses		(168,611)	(45,100)
Finance costs		(671,414)	(326)
Share based payments expense		(63,665)	(268,052)
Takeover defence		(1,085,022)	-
New business development		(1,423,666)	-
Acquisition and divestment		(869,949)	-
Profit (Loss) before income tax		**(6,249,966)**	**(1,710,106)**
Income tax benefit (expense)		590,946	431,026
Profit (Loss) for the year		**(5,659,020)**	**(1,279,080)**
Items that will be reclassified to profit or loss			
Change in fair value of available for sale financial assets		-	2,014,000
Income tax on items that will be reclassified to profit or loss		-	(604,200)
Other comprehensive income for the half-year, net of tax		-	**1,409,800**
Total comprehensive income for the half-year		**(5,659,020)**	**130,720**

Earnings per share	**Notes**	**Cents/ share**	**Cents/ share**
Basic earnings per share	4	(1.8)	(0.4)
Diluted earnings per share	4	(1.8)	(0.4)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the Half-Year ended 31 December 2015

	Notes	31 December 2015 $	30 June 2015 $
Current assets			
Cash and cash equivalents	5	756,592	8,533,160
Trade and other receivables		1,025,540	191,672
Other current assets		181,818	6,500
Inventory		944,085	-
Total current assets		**2,908,035**	**8,731,832**
Non-current assets			
Other financial assets	6	18,630,604	5,241,972
Property, plant and equipment		90,581	116,393
Exploration and evaluation assets	7	55,249,950	55,422,706
Oil & gas assets	12	16,981,965	-
Total non-current assets		**90,953,100**	**60,781,071**
Total assets		**93,861,135**	**69,512,403**
Current liabilities			
Trade and other payables		2,906,848	898,025
Interest Bearing Liabilities	8	15,295,381	-
Provisions		122,515	74,379
Total current liabilities		**18,324,744**	**972,404**
Non-current liabilities			
Deferred tax liability		586,582	1,177,530
Provisions	12	9,758,674	-
Total non-current liabilities		**10,345,256**	**1,177,530**
Total liabilities		**28,670,000**	**2,149,934**
Net assets		**65,191,135**	**67,362,469**
Equity			
Issued capital	9	87,305,000	83,880,979
Reserves		635,561	571,896
Accumulated losses		(22,749,426)	(17,090,406)
Total equity attributable to owners of Amour Energy Ltd		**65,191,135**	**67,362,469**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2015

	Issued capital $	Accumulated losses $	Financial Assets Revaluation Reserve $	Performance Shares Reserve $	Performance Rights Reserve $	Option Reserve $	Total Equity $
Balance at 1 July 2014	**83,709,877**	**(10,515,332)**	**(1,244,600)**	**125,000**	**125,000**	**2,514,869**	**74,714,814**
Loss for the year	-	(1,279,080)	-	-	-	-	(1,279,080)
Other comprehensive income	-	-	1,409,800	-	-	-	1,409,800
Total comprehensive income for the year	-	(1,279,080)	1,409,800	-	-	-	130,720
Shares issued during the year	108,654	-	-	-	-	-	108,654
Share issue costs	(4,842)	-	-	-	-	-	(4,842)
Share based payments	-	-	-	-	-	268,052	268,052
Balance at 31 December 2014	**83,813,689**	**(11,794,412)**	**165,200**	**125,000**	**125,000**	**2,782,921**	**75,217,398**
Loss for the year	-	(5,295,994)	-	-	-	-	(5,295,994)
Other comprehensive income	-	-	(2,975,000)	-	-	-	(2,975,000)
Total comprehensive income for the year	-	(5,295,994)	(2,975,000)	-	-	-	(8,270,994)
Shares issued during the year	68,097	-	-	-	-	-	68,097
Share issue costs	(3,228)	-	-	-	-	-	(3,228)
Recognition of deferred tax assets relating to share issue costs	2,421	-	-	-	-	-	2,421
Share based payments	-	-	-	-	-	348,775	348,775
Balance at 30 June 2015	**83,880,979**	**(17,090,406)**	**(2,809,800)**	**125,000**	**125,000**	**3,131,696**	**67,362,469**
Loss for the year	-	(5,659,020)	-	-	-	-	(5,659,020)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the year	-	(5,659,020)	-	-	-	-	(5,659,020)
Shares issued during the year	3,425,675	-	-	-	-	-	3,425,675
Share issue costs	(1,654)	-	-	-	-	-	(1,654)
Recognition of deferred tax assets relating to share issue costs	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	63,665	63,665
Balance at 31 December 2015	**87,305,000**	**(22,749,426)**	**(2,809,800)**	**125,000**	**125,000**	**3,195,361**	**65,191,135**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the half-year ended 31 December 2015

	31 December 2015 $	31 December 2014 $
Cash flows from operating activities		
Payments to suppliers and employees	(4,378,587)	(1,730,679)
Interest received	32,647	70,073
Interest and other costs of finance paid	(639,971)	(326)
Research and Development funds received	-	21,330
Net cash flows from operating activities	**(4,985,911)**	**(1,639,602)**
Cash flows from investing activities		
Payments for security deposits	(13,388,632)	(70,120)
Purchase of property, plant and equipment	(2,299)	(5,615)
Purchase of Oil and Gas assets	(8,363,637)	-
Payments for exploration and evaluation assets	(1,080,756)	(3,219,549)
R&D funds received in relation to exploration assets	1,366,478	-
Net cash (outflow)/inflow from investing activities	**(21,468,846)**	**(3,295,284)**
Cash flows from financing activities		
Proceeds from share issues	3,384,462	-
Transactions cost on the issue of shares	(1,654)	(4,842)
Proceeds from DGR Global loan facility	15,295,381	-
Net cash inflow from financing activities	**18,678,189**	**(4,842)**
Net increase in cash and cash equivalents	**(7,776,568)**	(4,939,728)
Cash and cash equivalents at beginning of period	8,533,160	6,474,941
Cash and cash equivalents at end of period	**756,592**	**1,535,213**

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

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2015

Note 1. Basis of preparation of half-year financial statements

Corporate information

The financial report of Armour Energy Limited (the "Company") the half-year ended 31 December 2015 was authorised for issue in accordance with a resolution of the directors on 15 March 2016.

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

Basis of preparation

This general purpose financial report for the half-year ended 31 December 2015 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This half-year report does not include all the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial statements. Accordingly, this half-year financial report is to be read in conjunction with the annual financial report for the year ended 30 June 2015 and any public announcements made by the Company during the half year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies and methods of computation have generally been followed in this half-year financial report as compared with the most recent annual financial report.

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. The Company has net outflows during the period of $7,776,568 and has available cash of $756,592 at 31 December 2015. The Company has not generated revenues from operations. As such, the Company's ability to continue to adopt the going concern assumption will depend on a number of matters 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 available for sale assets, the receipts of R&D tax incentive rebates, and the successful exploration and subsequent exploitation of the Company's tenements and/or sale of non-core assets. In the absence of these matters being successful, 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.

Note 2. Segment Information

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.

During the half-year ended 31 December 2015, the Company acquired oil and gas production facilities in Queensland which will generate products from which it will derive an income. While there has been no activity in the half year, going forward management identifies the Company as having two reportable segments, being exploration for shale oil and gas in Australia, and the production of oil, gas LPG and condensate in the Surat Basin, Queensland, and will report on these segments accordingly.

The chief operating decision makers reviews the financial performance of the company on a monthly basis. The accounting policies adopted for internal reporting to the chief operating decision makers are consistent with those adopted in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2015

	31 December 2015 $	31 December 2014 $
Note 3. Profit/ (Loss)		
Profit (loss) for the half-year includes the following items:		
(a) Interest revenue from:		
- Term deposits with financial institutions	32,606	52,250
- Australian Taxation Office	41	3,065
- Lakes Oil convertible Notes	-	11,100
(b) Other income:		
- Change in Fair value on investments	-	2,220
Finance costs		
- Interest expense	453,792	326
- Establishment costs	186,179	-
- Unwinding of discount – rehabilitation provision	31,443	-
Depreciation		
- Office equipment	4,867	9,359
- Motor vehicles	14,204	8,699
- Plant and equipment	9,040	14,204
Defined contribution superannuation expense	64,053	68,898

Note 4. Earnings Per Share (EPS)

(a) Earnings

Earnings used to calculate basic and diluted EPS	(5,659,020)	(1,279,080)

(b) Weighted average number of shares	Number of shares	Number of shares
Weighted average number of ordinary shares outstanding during the year, used in calculating basic earnings per share	309,866,926	302,521,525
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	**309,866,926**	**302,521,525**

Options are not considered dilutive due to the losses made by the Company. Options may become dilutive in the future.

	31 December 2015 $	30 June 2015 $
Note 5. Cash and Cash Equivalents		
Cash at bank on hand	640,473	8,533,160
Joint Venture bank accounts held as operator	116,119	-
	756,592	**8,533,160**

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2015

	31 December 2015 $	30 June 2015 $
Note 6. Financial Assets		
NON-CURRENT		
Financial assets at fair value through Other Comprehensive Income		
- Australian listed shares	4,252,000	4,252,000
Security Deposits	14,378,604	989,972
	18,630,604	**5,241,972**
Movement in Financial assets at fair value through Profit or Loss		
Opening Balance at beginning of period	-	441,780
Fair value adjustments through Profit or Loss	-	2,220
Conversion into shares accounted for as available for sale financial assets	-	(444,000)
Closing balance at the end of the period	-	-

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

Movements in financial assets at fair value through Other Comprehensive Income		
Opening balance at the beginning of period	4,252,000	6,044,000
Additions on conversion of convertible notes to shares at fair value through Other Comprehensive Income	-	444,000
Fair Value adjustments through Other Comprehensive Income	-	(2,236,000)
Closing balance at the end of the period	**4,252,000**	**4,252,000**

Financial assets at fair value through Other Comprehensive Income comprise investments in the ordinary issued capital of Lakes Oil NL and AusNiCo Limited, listed on the Australian Securities Exchange. Financial assets at fair value are measured at level 1 on the fair value hierarchy.

Note 7. Exploration and Evaluation Assets		
Carrying amount at the beginning of period	55,422,706	60,694,614
Additions	1,193,722	4,272,961
Research & Development grants relating to exploration	(1,366,478)	(9,394,531)
Exploration expenditure written off	-	(150,338)
Carrying amount at the end of period	**55,249,950**	**55,422,706**

Note 8. Interest Bearing Liabilities		
Loan from DGR Global	15,295,381	-

The DGR Global facility is available to Armour until 31 March 2016 (the maturity date). Armour, at its election, can further extend the term of the facility for 12 months from the Maturity Date, only on the basis that it provides the following:

(a) a first ranking security and mortgage over unsecured Surat Basin Assets and a fixed and floating charge over the assets of Armour and subsidiaries and the assets of those subsidiaries (which has now been done, refer to the events after balance date);

(b) the grant of a 0.5 per cent gross sales royalty over production from the Surat Basin Assets;

(c) the grant of 50,000,000 options (which would be exercisable at 150% of Armour's closing share price immediately prior to grant, for a period of 2 years from the Maturity Date); and

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2015

Note 8. Interest Bearing Liabilities (continued)

(d) a right to convert no more than 50% of any part of the drawn part of the facility to share equity in Armour at any time, at 90% of the preceding 10 day volume weighted average in accordance with the provisions of the Corporations law and ASX Listing Rules but subject to Armour having a right if conversion is requested to repay the funding early.

	31 December 2015 $	30 June 2015 $

Note 9. Issued Capital

(a) Issued and paid up Capital

321,558,077 (2015: 303,828,057) ordinary shares fully paid	92,959,975	89,534,300
Share issue costs	(7,539,345)	(7,537,691)
Recognition of deferred tax asset relating to share issue costs	1,884,370	1,884,370
	87,305,000	**83,880,979**

(b) Reconciliation of issued and paid-up capital	Number of Shares	$
At 1 July 2014	301,390,240	83,709,877
Shares issued under employment contracts ($0.15 per share, net of share issue costs - (18/07/14)	308,856	46,051
Shares issued under employment contracts ($0.085 per share, net of share issue costs - (22/10/14)	484,857	39,599
Shares issued under employment contracts ($0.059 per share, net of share issue costs - (22/12/14)	337,572	18,162
Shares issued under employment contracts ($0.047 per share, net of share issue costs – 14/1/15)	579,553	25,625
Shares issued under employment contracts ($0.056 per share, net of share issue costs – 2/4/15)	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
Shares issued under employment contracts ($0.051 per share, net of share issue costs – 10/7/16)	807,709	39,559
Shares issued for cash ($0.20 per share – 4/11/15)	16,922,311	3,384,462
At 31 December 2015	**321,558,077**	**87,305,000**

Note 10. Future Exploration Commitments

Changes to the future exploration commitments disclosed in the most recent annual financial report are as follows:

	31 December 2015 $	30 June 2015 $
Less than 12 months	36,685,708	36,342,167
Between 12 months and 5 years	20,088,292	19,425,833
	56,774,000	**55,768,000**

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2015

Note 11. Contingent Assets and 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 ATP 1087, the Company is required to pay the greater of either $50,000, or:
- 3% of exploration costs within the proceeding financial year; and
- 1.5% of exploration costs incurred in the Shared Area within the preceeding financial year.

Oil and Gas Liabilities

Under the agreement between Armour Energy (Surat Basin) Pty Ltd and Oil Investments Pty Ltd (Origin) for the purchase of the Surat Basin assets, there is a deferred and contingent consideration element to the agreement which consists of three $1 million payments to be made on the 1st, 2nd and 3rd anniversary of first gas.

On the strength of the 2.3 PJ of sales gas acquired as at the transaction date, it is fully anticipated that the Company will be required to pay to Origin the deferred and contingent consideration.

There are no other contingent assets and liabilities at 31 December 2015.

Note 12. Acquisition of Oil and Gas Assets

On 1 September 2015 Armour Energy (Surat Basin) Pty Ltd, a subsidiary of Armour Energy Limited, entered into agreements to acquire the interests in the assets tabled below from Oil Investments Pty Ltd (Origin). The tabled assets comprise the Kincora Gas Plant and adjoining lands, which will provide the gas, LPG and condensate processing and gas compression facilities for the Surat Basin project.

Asset	Interest
PL 14	100%
PL 53	100%
PL 70	100%
PL 511 (formerly PL 174)	100%
PL 227	100%
PPL 3	100%
PPL 20	100%
PPL 63	100%
Newstead Gas Storage	100%
Kincora Gas Plant terminal (all plant & equipment)	100%
Kincora Utilities (all plant & equipment)	100%
Kincora Paddock (all plant & equipment)	100%
Gas Satellite Field Kit	100%
PL 28	46.25%
PL 69	46.25%
PL 89	46.25%
PL 320 (formerly PL 10W)	46.25%
PL 11W	46.25%
PL 12 W	46.25%
PL 11 Snake Creek East Exclusion Zone	25%
PL 21	87.5%

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2015

Note 12. Acquisition of Oil and Gas Assets (continued)

Asset	Interest
PL 22	87.5%
PL 27	87.5%
PL 71	90.0%
PL 264	90.0%
ATP 1190 (formerly ATP 471)	50.64%
PL 30	75%
PL 512 (formerly PL 74)	69%
PPL 22	69%
PL 71 (exploration)	72%
ATP 647 (Block 2656)	50%
ATP 754	50%
ATP 1190 (Bainbilla) (formerly ATP 471)	24.748%

The combined agreements totalled a purchase price of $10 million plus $3 million deferred consideration, contingent on first gas (see note 12c). The acquisition has been separated into two components being a business combination, and an asset acquitision in accordance with the provisions set out in AASB 3 *Business Combinations*. The total consideration to date is $10,925,764 of which $7,703,278 was in relation to the Business Combination comprising the Kincora Gas Plant and related infrastructure, and $3,222,486 was in relation to other oil and gas investments in the exploration and development phases.

Provisional accounting has been applied for the period ended 31 December 2015, with the assets acquired being provisionally classified as oil and gas assets. Details of the acquisition, broken into the respective accounting treatments are as follows:

(a) Business Combination: Kincora Gas Plant and Related Infrastructure

	Fair value
Inventory	944,085
Oil and gas assets	11,372,316
Provision for employee benefits	(17,000)
Provision for rehabilitation and abandonment	(4,596,123)
Goodwill	-
Net assets acquired	7,703,278
Representing:	
Cash paid or payable to the vendor	5,141,151
Contingent consideration	2,562,127
	7,703,278
Acquisition costs expensed to profit or loss	-

(b) Asset Acquisition: Oil and Gas Interests

Other current assets	181,818
Oil and gas assets	5,609,649
Provision for rehabilitation and abandonment	(2,568,981)
Net assets acquired	3,222,486
Representing:	
Cash paid or payable to the vendor	**3,222,486**

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2015

Note 12. Acquisition of Oil and Gas Assets (continued)

(a) Contingent Consideration

There is a deferred and contingent consideration element to the business combination transaction. This element consists of three $1m payments to be made on the 1st, 2nd and 3rd anniversary of first gas from any of the assets acquired under the business combination. There are no minimum gas sales quantities specified in the transaction.

On the strength of the 2.3 PJ of sales gas acquired as at the transaction date, it is fully anticipated that Armour will be required to pay to Origin the deferred and contingent consideration. As a result, from Armour's perspective, the consideration is considered deferred as opposed to contingent.

(b) Provision for rehabilitation

Armour assumed the liability for the future rehabilitation of all assets within the acquisition. The fair value of the rehabilitation liability has been assessed by independent environmental consultants, and for the purposes of provisional accounting, has been accounted for as at the transaction date. The rehabilitation liability in subsequent reporting periods will be determined by calculating the present value of expected future cash outflows, using an appropriate discount rate in accordance with standard market practice.

(c) Other current assets

The other current asset represents a cash deposit paid in relation to "Sale and Purchase Agreement 6" (SPA6). This agreement is subject to a number of conditions precedent, which are yet to be finalised. Upon satisfaction of the conditions precedent, the remaining balance of $1,818,182 will be paid to the vendor.

Note 13. Events After the Balance Sheet Date

Farm-out transaction in the Northern Territory between Armour and AEGP

Further to its announcements of 18 January, 29 January and 4 February 2016 in relation to the proceedings instituted by AEGP in the Supreme Court of Queensland against Armour, and separate proceedings instituted by Armour against AEGP, Armour wishes to provide the following update.

The two sets of proceedings in the Supreme Court of Queensland have been consolidated and is proceeding with Armour as the plaintiff and AEGP as the defendant. As previously advised in the 4 February 2016 update, Armour is seeking:

(a) a declaration that the Farm-out Agreement should be completed and specifically performed;
(b) an order that the Farm-out Agreement be specifically performed;
(c) alternatively, a declaration that Armour has used all reasonable endeavours to ensure that the relevant condition as to the assignment of all relevant native title agreements by Armour to AEGP, has been satisfied as expeditiously as possible, and before the relevant deadline in the Farm-out Agreement; and
(d) alternatively, a declaration that Armour is entitled to terminate the Farm-out Agreement.

On 15 February 2016 AEGP filed its Defence and a Counterclaim. In its Counterclaim, AEGP is seeking a number of declarations in respect of the Farm-out Agreement, including that Armour did not satisfy its obligations in respect of the native title agreements condition precedent, and that Armour is not entitled to terminate or seek to terminate the Farm-out Agreement.

On 4 March 2016, AEGP filed an Amended Defence and seeks an order varying the Cut-off Date in the Farm-out Agreement of 9 January 2016 to 9 March 2016.

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2015

Note 13. Events After the Balance Sheet Date (continued)

Transfer of Origin's Roma Shelf Assets to Armour

Regulatory approvals relating to the transfer of Origin's Roma Shelf assets to Armour were received on 2 November 2015, and all Sale and Purchase Agreements have completed, except for ATP647 (contained within SPA6) which remains subject to clearance of conditions precedent.

AEGP proportional off-market takeover bid to acquire 13.62% of the ordinary shares in Armour for 25c per share

AEGP made a proportional off-market takeover bid to acquire 13.62% of the ordinary shares in Armour for 25c per share. The offer closed on 12 January 2016. AEGP now owns 40,063,785 ordinary shares in Armour or 12.46% of the Company.

During the half year, and as approved by Armour shareholders at the 30 October 2015 EGM, the Company also completed the placement to AEGP of 16,922,311 ordinary shares at 20 cents each for gross proceeds of approximately $3.38m.

Reduction of financial assurances lodged with Department of Environment and Heritage Protection

As part of the sale and purchase agreements to acquire the Roma Shelf assets from Origin, Armour was required to replace financial assurance guarantees with the Department of Environment and Heritage Protection (DEHP) that were held by Origin, totalling $13.38 million. The purpose of these financial assurances is to ensure compliant rehabilitation of the assets on completion of the project.

Subsequent to the transfer of the assets to Armour, independent consultants were engaged to review the rehabilitation liability of the assets, and it was determined that the financial assurances lodged with the DEHP were eligible to be reduced by $6.01 million.

On 24 February 2016, the DEHP formally assessed Armour's amended application to the reduced amount, and replacement financial assurance guarantees were lodged, resulting in a refund to Armour of $6.01 million.

DGR bridging loan facility

As announced on 18 January 2016, the bridging loan facility offered by DGR Global was secured under documents executed between the parties. Accordingly, the interest rate has been reduced from 22% to 15% per annum.

The $6.01 million refund received from the DEHP financial assurances was repaid to DGR Global in full, resulting in the loan facility being reduced to $13 million, of which $9.28 million has been borrowed by Armour.

The Directors are not aware of any other significant changes in the state of affairs of the Group or events after balance date that would have a material impact on the consolidated financial statements.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The attached financial statements and notes are in accordance with the *Corporations Act 2001* including:

   (i) complying with Australian Accounting Standard AASB 134: Interim Financial Reporting; and Revenue

   (ii) giving a true and fair view of the Company's financial position as at 31 December 2015 and of its performance for the half-year ended on that date.

2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors.

Nicholas Mather
Executive Chairman

Date: 15 March 2016

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Armour Energy Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Armour Energy Limited, which comprises the consolidated statement of financial position as at 31 December 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 half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Armour Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, 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 review report.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Armour Energy Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1 in the half-year financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the successful future capital raising of necessary funding, entering into a joint venture of farm-in agreement with respect to its exploration tenements, the realisation of its available for sale assets, the receipts of R&D tax incentive rebate, and the successful exploration and exploitation of its areas of interest through development. 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.

BDO Audit Pty Ltd

BDO

Tim Kendall

T J Kendall
Director

Brisbane, 15 March 2016

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