



QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2015

ASX CODE: AJQ

SHARES ON ISSUE
321,558,077

MARKET CAPITALISATION
\$32m (at \$0.10 per share)

DIRECTORS

Nicholas Mather (Chairman)
William Stubbs
Roland Sleeman
Stephen Bizzell

CHIEF EXECUTIVE
Robbert de Weijer

COMPANY SECRETARY
Karl Schlobohm

CONTACT DETAILS

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HIGHLIGHTS

Activities During the Quarter

- **Armour considers that all of the conditions precedent relating to the Northern Territory farm-out transaction with AEGP have been satisfied. Armour has requested AEGP complete on 2 February 2016.**
- **Regulatory approvals relating to the transfer of Origin's Roma Shelf assets to Armour were received and most Sale and Purchase Agreements have completed, except for ATP647 which remains subject to clearance of conditions precedent. Planning and other preparation work is progressing well to enable Armour to re-commission the oil and gas assets safely and efficiently.**
- **The bridging loan facility from DGR Global Ltd was secured by the parties, and the interest rate reduced from 22% to 15% per annum. Armour continues to progress negotiations with other potential financiers in relation to the Roma Shelf asset package. Furthermore, should the Northern Territory Farm-out transaction with AEGP proceed, Armour will receive substantial capital injections of approximately \$21 million.**
- **Jemena has been selected by the Northern Territory Government to construct and operate the NEGI. The Northern Route has been selected for the pipeline which traverses Armour Energy's tenements in the Northern Territory providing access to growing East Coast gas markets.**

Corporate Action

- **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 shares in Armour or 12.46% of the Company. Armour understands accepting shareholders will be paid on or before 2 February 2016.**



PROJECT ACTIVITIES

Armour considers that all of the conditions precedent relating to the Northern Territory farm-out transaction (Farm-out Agreement) with AEGP Australia Pty Ltd (AEGP), which is affiliated with American Energy Partners, have been satisfied. As such, Armour has issued a Notice to Complete to AEGP requiring completion to take place on 2 February 2016.

AEGP has previously instituted proceedings in the Supreme Court of Queensland in respect of the Farm-out Agreement in respect of Armour's Northern Territory tenements (Proceedings). AEGP is seeking a number of rulings in respect of the Farm-out Agreement, including a declaration, particularly, that Armour Energy is not entitled to terminate the Farm-out Agreement or to seek to terminate the Farm-out Agreement.

The Proceedings are returnable on 9 February 2016.

Armour intends to vigorously defend its position and will update the market in due course

Regulatory approvals relating to the transfer of Origin's Roma Shelf assets to Armour were received and most Sale and Purchase Agreements have completed, except for ATP647 which remains subject to clearance of conditions precedent. Planning and other preparation work is progressing well to enable Armour to re-commission the oil and gas assets safely and efficiently.

A transition period is underway until title is registered. Registration of title to the tenements is expected in the coming weeks.

This acquisition sets Armour up to become a significant producer of oil, gas, LPG and condensate, strategically located near the Wallumbilla gas hub on the east coast of Australia. Furthermore the Newstead storage facility with a capacity of 7.5 PJs (including 2.3 PJs of contained sales gas) provides Armour with a significant business opportunity to manage this facility to maximise returns during periods of high gas demand.

Over the coming year demand for gas on the east coast of Australia is expected to increase to more than 2,000 PJs per year, more than triple the level of demand existing prior to the LNG plants being commissioned at Gladstone, Queensland.

Armour expects to re-commence oil production well within 3 months from registration of title to the relevant tenements. Gas, and associated LPG and condensate production is expect to re-commence within 6 – 12 months from registration of title and detailed planning work for project re-commissioning is ongoing.

Over the last months Armour has strongly focused on preparing for a safe and seamless start-up of the wells and facilities. Start-up plans have been developed and much work has been done to identify opportunities that will greatly enhance production beyond the initial start-up rates. Results from the sub-surface work is showing encouraging results from areas within the Production Licences that have been lightly appraised / developed to date and have not seen the benefits from application of the latest technologies and drilling techniques.

Armour expects initial oil production rates of approximately 50 barrels of oil per day and initial gas production rates of approximately 7 TJs per day. The Company intends to ramp up production quickly through a large number of cost effective production improvement opportunities identified from existing wells.

The bridging loan facility from DGR Global Ltd was secured by the parties, and the interest rate reduced from 22% to 15% per annum. Armour continues to progress negotiations with other potential financiers in relation to the Roma Shelf asset package. Furthermore, should the Northern Territory Farm-out transaction with AEGP proceed, Armour will receive substantial capital injections of approximately \$21 million.

The bridging loan facility offered by DGR Global Ltd has now been secured under documents executed between the parties. Accordingly the interest rate applicable to the bridging loan facility has now been reduced from 22% to 15% per annum.

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);
- (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 Energy continues to progress negotiations with other potential third-party / commercial financiers in relation to the Roma Shelf asset package. Furthermore, should the Northern Territory Farm-out transaction with AEGP Australia proceed, Armour Energy will receive substantial capital injections of approximately \$21 million.

Jemena has been selected by the Northern Territory Government to construct and operate the NEGI. The Northern Route has been selected for the pipeline which traverses Armour Energy's tenements in the Northern Territory providing access to growing East Coast gas markets.

Jemena Northern Gas Pipeline Pty Ltd (Jemena) has been selected 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 Energy 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.

Other activities during the quarter

Apart from defending the hostile take-over attempt by Westside, Armour undertook a number of business development activities during the quarter and will update shareholders as and when any of these opportunities reach a conclusion.

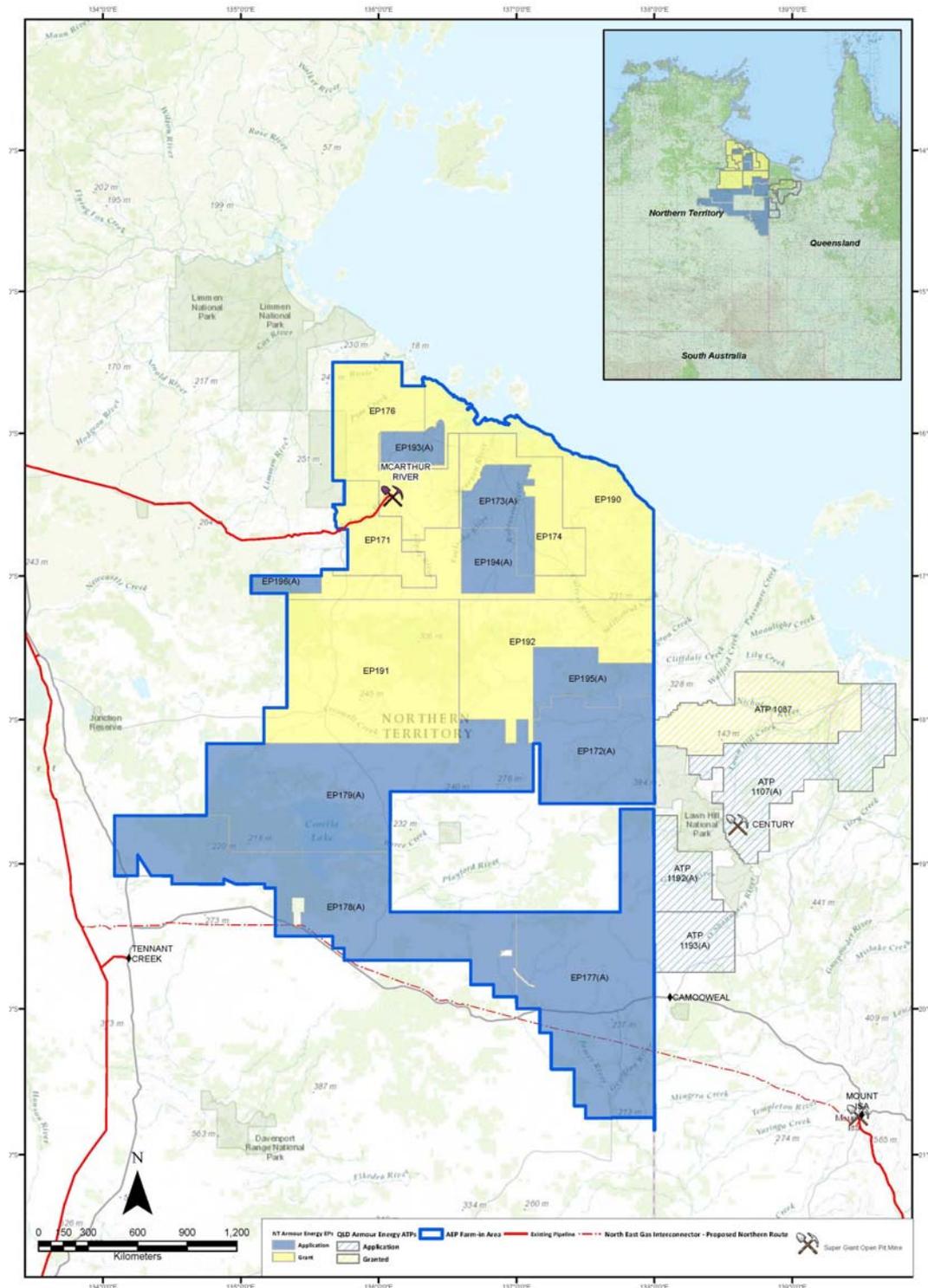


Figure 1 – Armour’s Northern Australian tenements, AEP farmin area, and NEGI pipeline route

CORPORATE ACTIVITIES

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 shares in Armour or 12.46% of the Company. Armour understands accepting shareholders will be paid on or before 2 February 2016.

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



On behalf of the Board
Karl Schlobohm
Company Secretary

ABOUT ARMOUR ENERGY

Armour Energy Limited (ASX:AJQ) is an ASX listed junior exploration and production company focused on the discovery and development of world class gas and associated liquids resources in an extensive and recently recognised hydrocarbon province in northern Australia. Its exploration tenements in Northern Australia cover an area of approximately 139,000km² or 34 million acres.

Today's business environment with strong domestic and global demand for gas, gas prices trending towards LNG netback combined with proven shale extraction technologies and world class personnel, provides the Company with an extraordinary opportunity to define and ultimately develop a major new gas province.

Armour is focusing on the exploration of the McArthur, Isa Superbasin and Georgina Basins in the Northern Territory and Queensland, and in the onshore Gippsland Basin in Victoria in joint venture with Lakes Oil, for gas and associated petroleum liquids.

Since IPO in 2012, Armour has spent approximately \$60 million on a small proportion of its acreage in Northern Australia.

In September 2015 Armour agreed to acquire the Roma Self project in the Surat Basin, Queensland for \$13 million from Origin Energy. The assets are strategically located connected to the Wallumbilla gas hub including valuable gas storage capacity. On completion of the acquisition, the assets will offer Armour near-term production and cash flow opportunities through production of gas, oil and liquids, representing a potentially key source of funding for Armour Energy's overall growth strategy.

Further information regarding Armour Energy Limited is available on Armour's website at www.armouenergy.com.au

Competent Persons Statements

Information on the estimated **prospective and contingent resources** in this release 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 estimated **prospective and contingent 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. The **evaluation date** and confirmation for the estimates for the new reports was 21 September 2015.

SPE-PRMS

Society of Petroleum Engineer's Petroleum Resource Management System - Petroleum resources are the estimated quantities of hydrocarbons naturally occurring on or within the Earth's crust. Resource assessments estimate total quantities in known and yet-to-be discovered accumulations, resources evaluations are focused on those quantities that can potentially be recovered and marketed by commercial projects. A petroleum resources management system provides a consistent approach to estimating petroleum quantities, evaluating development projects, and presenting results within a comprehensive classification framework.

PRMS provides guidelines for the evaluation and reporting of petroleum reserves and resources.

Under PRMS

"Prospective resources" are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both a chance of discovery and a chance of development. Prospective resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub-classified based on project maturity.

ASX Listing Rules Chapter 5, section 5.28.2

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

INTERESTS IN TENEMENTS FOR THIS QUARTER

TYPE	LOCATION	NAME	OWNER	INTEREST
Acquired During Quarter				
PL14	Queensland		AE (SB) P/L	100%
PL 53	Queensland		AE (SB) P/L	100%
PL70	Queensland		AE (SB) P/L	100%
PL 511	Queensland		AE (SB) P/L	100%
PL 227	Queensland		AE (SB) P/L	100%
PPL 3	Queensland		AE (SB) P/L	100%
PPL 20	Queensland		AE (SB) P/L	100%
PPL 63	Queensland		AE (SB) P/L	100%
PL 28	Queensland		AE (SB) P/L	46.25%
PL 69	Queensland		AE (SB) P/L	46.25%
PL 89	Queensland		AE (SB) P/L	46.25%
PL 320	Queensland		AE (SB) P/L	46.25%
PL 11W	Queensland		AE (SB) P/L	46.25%
PL 12W	Queensland		AE (SB) P/L	46.25%
PL 11 (Snake Creek East Exclusion)	Queensland		AE (SB) P/L	25%
PL21	Queensland		AE (SB) P/L	87.5%
PL 22	Queensland		AE (SB) P/L	87.5%
PL 27	Queensland		AE (SB) P/L	87.5%
PL 71 (Production)	Queensland		AE (SB) P/L	90%
PL 71 (Exploration)	Queensland		AE (SB) P/L	72%
PL 264	Queensland		AE (SB) P/L	90%
PL 30	Queensland		AE (SB) P/L	75%
PL 512	Queensland		AE (SB) P/L	69%
PPL 22	Queensland		AE (SB) P/L	69%
ATP 754	Queensland		AE (SB) P/L	50%
ATP 1190	Queensland		AE (SB) P/L	50.64%
ATP1190 (Bainbilla)	Queensland		AE (SB) P/L	24.748%

Relinquished During Quarter

Nil

Held Throughout Quarter

EL 30736	Northern Territory	Vutron	Ripple Resources P/L	100%
EL 30737	Northern Territory	Collider	Ripple Resources P/L	100%
EL 30750	Northern Territory	Hyperion	Ripple Resources P/L	100%
EL 30751	Northern Territory	Carrington	Ripple Resources P/L	100%
EL 30752	Northern Territory	Acheron	Ripple Resources P/L	100%
EL 30753	Northern Territory	Mondegreen	Ripple Resources P/L	100%
EPP 171	Northern Territory	Abner Range	Armour Energy Ltd	100%
EPP 174	Northern Territory	Robinson River 2	Armour Energy Ltd	100%
EPP 176	Northern Territory	Ryans Bend	Armour Energy Ltd	100%
EPP 190	Northern Territory	Calvert	Armour Energy Ltd	100%
EPP 191	Northern Territory	Wallhollow	Armour Energy Ltd	100%
EPP 192	Northern Territory	Wollogorang	Armour Energy Ltd	100%
EPM 19833	Queensland	Bowthorn	Ripple Resources P/L	100%
EPM 19835	Queensland	Shadforth East	Ripple Resources P/L	100%
EPM 19836	Queensland	Shadforth	Ripple Resources P/L	100%
EPM 25410	Queensland	Bowthorn - Extended	Ripple Resources P/L	100%
EPM 25504	Queensland	Argyle Creek	Ripple Resources P/L	100%
EPM 25505	Queensland	Border	Ripple Resources P/L	100%
EL 30076	Northern Territory	Kermit	Ripple Resources P/L	100%
EL 30077	Northern Territory	Gonzo	Ripple Resources P/L	100%
EL 30078	Northern Territory	Fozzie	Ripple Resources P/L	100%
EL 30079	Northern Territory	Scooter	Ripple Resources P/L	100%
EL 30080	Northern Territory	Miss Piggy	Ripple Resources P/L	100%
EL 29837	Northern Territory	Catfish Hole	Ripple Resources P/L	100%
EL 29951	Northern Territory	Eric Cartmen	Ripple Resources P/L	100%
EL 29952	Northern Territory	Kenny McCormick	Ripple Resources P/L	100%
EL 29953	Northern Territory	Secret Treasure	Ripple Resources P/L	100%
EL 29954	Northern Territory	Kyle Broflovski	Ripple Resources P/L	100%
EL 29955	Northern Territory	Stan Marsh	Ripple Resources P/L	100%
EL 30494	Northern Territory	Statler & Waldorf	Ripple Resources P/L	100%
EPM 25802	Queensland	Walford East	Ripple Resources P/L	100%
ATP 1087	Queensland	South Nicholson	Armour Energy Ltd	100%
PEP 169	Victoria	Moreys	Lakes Oil NL	51%
PEP 166	Victoria	Holdgate	Lakes Oil NL	25%
PRL2	Victoria		Lakes Oil NL	15%

AE (SB) P/L = Armour Energy (Surat Basin) Pty Ltd

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