

QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDED 30 SEPTEMBER 2015

ASX CODE: AJQ

SHARES ON ISSUE
304,635,766

MARKET CAPITALISATION
\$55m (at \$0.18 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 entered into definitive agreements for a major farm-out transaction in the Northern Territory with American Energy Partners.
- Armour executed agreements with Origin Energy Limited to acquire petroleum resources, tenures, production and transportation infrastructure assets on the Roma Shelf in the Surat Basin in Queensland for \$10m cash plus \$3m in deferred consideration.
- Armour booked maiden Prospective Gas Resources in the Tawallah Group, McArthur Basin (NT) and in the Riversleigh Shale Formation (QLD). Total Northern Australia Best Estimate Prospective Gas Resources increased from 34 Tscf to 57 Tscf, an increase of 66% as of September 2015, compared to resources previously reported. 97 new conventional closure leads were identified in Northern Territory exploration tenements.
- Final Requests for Proposals relating to the proposed North East Gas Interconnector pipeline were submitted by 30 September 2015, with a successful proponent expected to be announced shortly.

Corporate Action

At the time of publication, the Company has a Bid Implementation Agreement with American Energy (AEP BIA) whereby American Energy has agreed, subject to the AEP Northern Territory Farm-Out being approved at the Armour EGM on 30 October 2015, to make a proportional takeover bid for 13.62% of each Armour Energy Shareholders' Shares at A\$0.25 per Share (Proportional Bid).

For full details refer to page 6.



PROJECT ACTIVITIES

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 Energy and an Australian Affiliate of American Energy Partners (AEGP) entered into Definitive Agreements for a major farm-out transaction in the Northern Territory. Under the agreements, AEGP may acquire a 75% working interest and operatorship of Armour Energy's McArthur Basin oil and gas tenements in the Northern Territory.

The transaction is conditional on a number of matters (including, amongst other matters, Armour Energy shareholder approval and AEGP undertaking due diligence to its satisfaction).

For more information, refer to Armour Energy's ASX releases of 20 August and 11 September 2015, and the Target's Statement of 7 October 2015.

Armour executed agreements with Origin Energy Limited to acquire petroleum resources, tenures, production and transportation infrastructure assets on the Roma Shelf in the Surat Basin in Queensland for \$10m cash plus \$3m in deferred consideration.

The Roma Shelf Assets include the Kincora Gas and LPG Plant and Infrastructure, consisting of:

- 76 wells (of which 38 wells are proposed to be brought back on production);
- Gas, LPG and condensate processing and gas compression facilities at Kincora, south of Roma;
- 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; and
- a gas storage facility with a capacity of 7.5 PJ, currently containing 2.3 PJ of sales gas.

The project areas encompass independently verified 2C resources of 28.3 PJ of sales gas, 294,400 barrels of condensate, 62,000 tonnes of LPG and 152,800 barrels of oil.

For more information, refer to Armour Energy's ASX release of 2 September 2015, and the Target's Statement of 7 October 2015.

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Armour booked maiden Prospective Gas Resources in the Tawallah Group, McArthur Basin (NT) and in the Riversleigh Shale Formation (QLD). Total Northern Australia Best Estimate Prospective Gas Resources increased from 34 Tscf to 57 Tscf, an increase of 66% as of September 2015, compared to resources previously reported. 97 new conventional closure leads were identified in Northern Territory exploration tenements.

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)

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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 Wollgorang 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

Final Requests for Proposals relating to the proposed North East Gas Interconnector pipeline were submitted by 30 September 2015, with a successful proponent expected to be announced shortly.

As previously reported, 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 (refer **Figure 1**), further strengthening Armour's commercial position and value.

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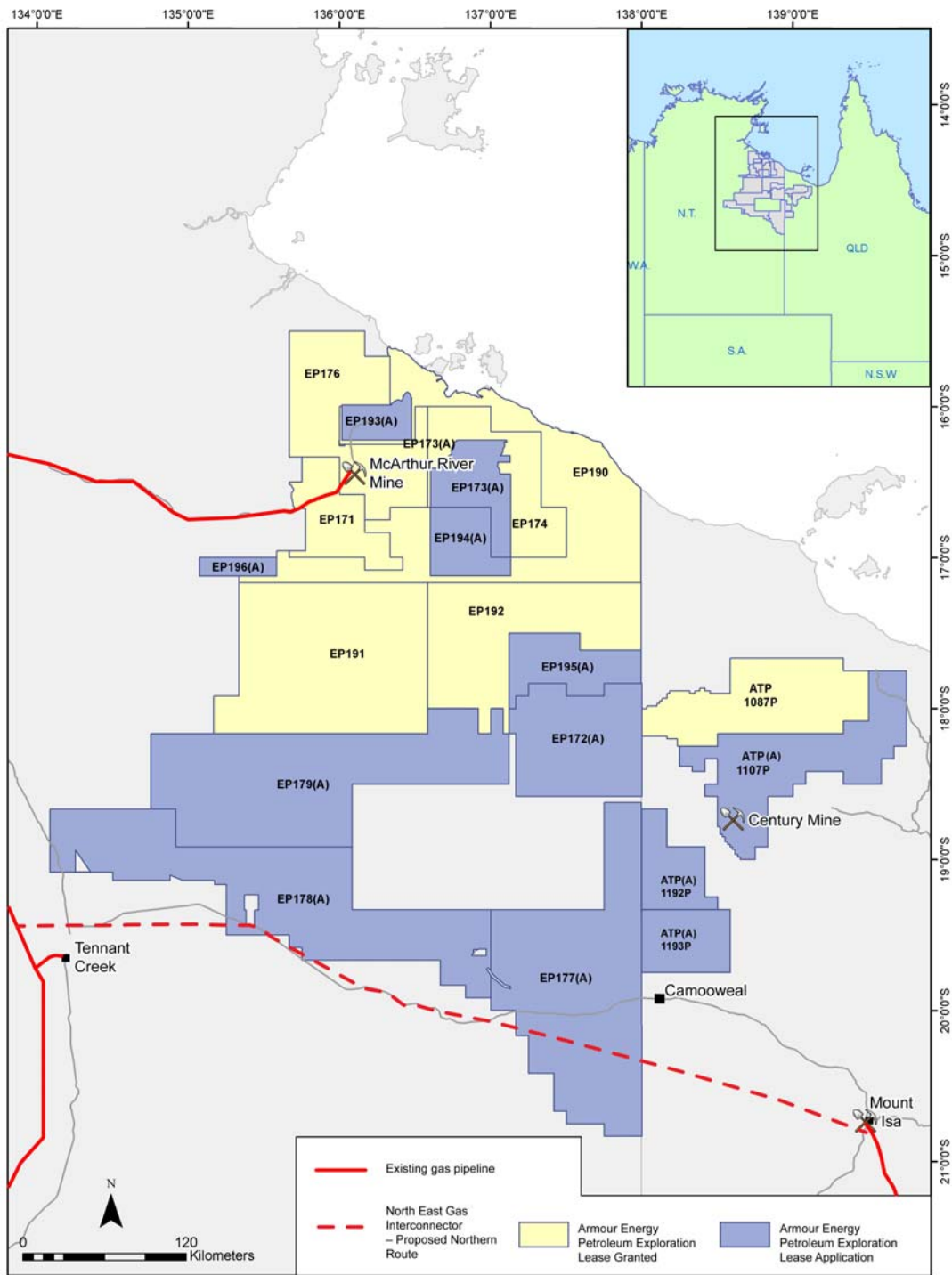


Figure 1: North East Gas Interconnector – location of proposed northern route, and Armour’s exploration tenements

CORPORATE ACTIVITIES

As shareholders would be aware, on 31 August 2015, WestSide Corporation Limited (**WestSide**) made an unsolicited, hostile take-over bid for all of the shares of Armour Energy Limited at 12 cents per share, payable in cash. This initial offer was rejected by the Board of Armour in the Target's Statement published on 7 October 2015.

On 15 October 2015, WestSide made a revised offer for all of the shares of Armour Energy Limited at 20 cents per share, payable in cash (**Revised Offer**). In addition, Armour would provide shareholders with a dividend distribution of Lakes Oil shares worth up to 1.4 cents for each Armour share held (if the Revised Offer became unconditional). The Directors of Armour recommended the revised WestSide offer to shareholders in the absence of a superior proposal in the First Supplementary Target's Statement published on 26 October 2015.

Both the original and revised take-over offers made by WestSide were subject to a condition that Armour not proceed with the farm-out transaction with American Energy Partners as announced by Armour on 20 August and 11 September 2015 (**AEP Northern Territory Farm-Out**). The approval for Armour to proceed with the AEP Northern Territory Farm-Out with American Energy is to be put to shareholders at the Company's Extraordinary General Meeting (EGM) on 30 October 2015.

On 27 October 2015, Armour entered into a Bid Implementation Agreement with American Energy (**AEP BIA**) whereby American Energy has agreed, subject to the AEP Northern Territory Farm-Out being approved at the Armour EGM on 30 October 2015, to make a proportional takeover bid for 13.62% of each Armour Energy Shareholders' Shares at A\$0.25 per Share (**Proportional Bid**). Armour (having taken advice from its advisers) considers the Proportional Bid and the AEP Northern Territory Farm-Out, when taken together, to constitute a superior proposal to the Revised Offer from WestSide.

At the EGM convened at 2pm on 30 October 2015, Armour shareholders comprehensively voted to approve the Company proceeding with the AEP Northern Territory Farm-Out. The associated equity arrangements for American Energy were also approved by shareholders at the EGM.



On behalf of the Board
Karl Schlobohm
Company Secretary

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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

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Competent Persons Statements

Information on the estimated **prospective 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 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.

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INTERESTS IN TENEMENTS FOR THIS QUARTER

TYPE	LOCATION	NAME	OWNER	INTEREST
Acquired During 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%
Relinquished During Quarter				
EPM 19795	Queensland	Egilabria North	Ripple Resources P/L	Nil
EPM 19797	Queensland	Egilabria South	Ripple Resources P/L	Nil
EPM 25411	Queensland	Buffalo Creek	Ripple Resources P/L	Nil
EPM 25412	Queensland	Brookdale	Ripple Resources P/L	Nil
EPM 25413	Queensland	Punjaub	Ripple Resources P/L	Nil
EPM 25414	Queensland	Bluebush NW	Ripple Resources P/L	Nil
EPM 25415	Queensland	Buffalo Creek North	Ripple Resources P/L	Nil
Held Throughout Quarter				
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%

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TYPE	LOCATION	NAME	OWNER	INTEREST
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%

Held Throughout Quarter

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%

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

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