



QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDED 31 MARCH 2016

ASX CODE: AJQ

SHARES ON ISSUE
322,858,077

MARKET CAPITALISATION
\$26m (at \$0.08 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

- **Surat Basin Asset Acquisition** - to date Armour has financially settled on all Production and Exploration licenses except for one of the Authorities to Prospect. However, some of the assets that have been settled are still progressing through the formal title transfer process via the Queensland Government. Planning and other preparation work is progressing well to enable Armour to re-start the oil and gas assets safely and efficiently.
- **DGR Global Finance Facility** – the date for repayment or extension notification has been extended by the parties to 31 May 2016. Armour continues to progress negotiations with other potential third-party / commercial financiers in relation to the Surat Basin asset package.
- **The offer made on 1 December 2015 to eligible Armour shareholders by AEGP Australia Pty Ltd (affiliated with American Energy Partners) to acquire 13.62% of their shares closed on 12 January 2016, with payments made to participating shareholders in early February 2016.**
- **Northern Territory Farm-out** - the matters being disputed by Armour and AEGP Australia pursuant to the Farm-out Agreement have now been heard by the Queensland Supreme Court, and the parties are awaiting judgment.

PROJECT ACTIVITIES

Acquisition of Surat Basin Oil and Gas Assets and Infrastructure

On 2 September 2015, Armour advised shareholders that it had executed Sale and Purchase Agreements to acquire the oil and gas interests of Origin Energy 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.

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.

The package of assets acquired includes 19 Production Licences, 4 Authorities to Prospect, 4 Petroleum Pipeline Licences, the Kincora gas and LPG plant and associated pipeline infrastructure, and the Newstead gas storage facility. Armour estimates the replacement value of the infrastructure at over \$250m.

To date, Armour has financially settled on all but one of the Authorities to Prospect. However, some of the assets that have been settled are still progressing through the formal title transfer process via the Queensland Government.

Over the last quarter Armour has continued to remain focused on preparing for a safe and seamless start-up of the wells and facilities. Start-up plans and procedures continue to be developed, and on-going data review work continues to identify opportunities that will greatly enhance production beyond the initial start-up rates. Results from the sub-surface work continue to show 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.

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 start oil production within the next 4 months. Gas, LPG and condensate production is expected to commence before the high gas demand periods this coming summer.

Northern Territory Farm-out to AEGP Australia

As a result of the overwhelming approval by Armour shareholders at the Extraordinary General Meeting convened by the Company on 30 October 2015, Armour entered into a series of agreements with AEGP Australia, including a Farm-out Agreement under which AEGP Australia proposed to acquire a 75% interest in Armour's McArthur Basin oil and gas project in the Northern Territory for an investment of up to USD130m over a five year period.

Armour advised shareholders on 12 January 2016 that AEGP failed to accept the form of native title assignment deeds provided by midnight on 9 January 2016, and as a result, the condition precedent within the Farm-out Agreement to assign to AEGP Australia the interest in the native title agreement was incapable of satisfaction by the time required.

Legal action ensued, as advised by Armour during the quarter. The matter has now been heard by the Queensland Supreme Court, and the parties are awaiting judgment.

CORPORATE ACTIVITIES

Finance Facility with DGR Global Limited

On 30 September 2015, Armour and DGR Global Limited executed a Term Sheet in relation to an interim financing arrangement for Armour's acquisition of the Roma Shelf assets. The parties subsequently executed comprehensive legal agreements in relation to the facility. The original date for the repayment or extension of the finance facility was 31 March 2016.

Following the closing of the AEGP Australia partial take-over offer, Armour provided security to DGR Global as provided under the facility agreement, thereby reducing the rate of interest payable under the facility from 22% to 15% per annum.

On 31 March 2016, both Armour and DGR Global announced that they had agreed to extend the date for repayment or extension of the facility to 31 May 2016.

Accordingly, the facility is to be repaid by Armour by 31 May 2016, or Armour, at its election, can further extend the term of the facility for 12 months, 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.

Furthermore, in the event that prior to 31 May 2016 Armour proceeds with a pro-rata capital raising, DGR Global has the optional right to participate in any such raising through conversion of part of the funding provided to Armour under the facility at the issue price for shares under the raising for an amount not exceeding its pro-rata entitlement.

As at 31 March 2016, the DGR Global Loan Facility had an outstanding balance of approximately \$11.1million with approximately \$1.9million still available to be drawn under the facility by Armour. The facility limit was reduced from \$19 million to \$13 million in March 2016 following a \$6 million repayment by Armour as disclosed in Armour's Half Year Financial Report released on 15 March 2016.

Armour Energy continues to progress negotiations with other potential third-party / commercial financiers in relation to the Surat Basin asset package.

Completion of Partial Take-over by AEGP Australia Pty Ltd

The offer made on 1 December 2015 to eligible Armour shareholders by AEGP Australia Pty Ltd (affiliated with American Energy Partners) to acquire 13.62% of their shares closed on 12 January 2016, with payments made to participating shareholders in early February 2016.

AEGP Australia acquired 21,222,381 shares under the partial take-over to take their total shareholding in Armour to 40,063,785 shares or 12.4% of the Company's current issued capital.



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 in excess of \$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

INTERESTS IN TENEMENTS FOR THIS QUARTER

TYPE	LOCATION	NAME	OWNER	INTEREST
Acquired During Quarter				
EL 30810	Northern Territory	Sweetums	Ripple Resources P/L	100%
EL 30812	Northern Territory	Pepe the Prawn	Ripple Resources P/L	100%
EL 30813	Northern Territory	Camilla the Chicken	Ripple Resources P/L	100%
EL 30817	Northern Territory	Birrindudu	Ripple Resources P/L	100%
EL 30818	Northern Territory	VRD	Ripple Resources P/L	100%
EL 30822	Northern Territory	Crazy Harry	Ripple Resources P/L	100%
EL 30823	Northern Territory	Scooter	Ripple Resources P/L	100%
EL 30836	Northern Territory	Western Creek	Ripple Resources P/L	100%
EL 30925	Northern Territory	Mt Lamb	Ripple Resources P/L	100%
EL 30926	Northern Territory	Alexandria	Ripple Resources P/L	100%
EL 30927	Northern Territory	Buchan Dam	Ripple Resources P/L	100%
EL 30943	Northern Territory	Calvert Hills	Ripple Resources P/L	100%
EPM 26018	Queensland	Kola South	Ripple Resources P/L	100%
EPM 26020	Queensland	Inca Creek	Ripple Resources P/L	100%
EPM 26022	Queensland	Yelvertoft	Ripple Resources P/L	100%

Relinquished During Quarter

Nil

Held Throughout 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(SCEE)	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(P)	Queensland		AE (SB) P/L	90%

Held Throughout Quarter

PL 71(E)	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(B)	Queensland		AE (SB) P/L	24.748%
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%



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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