



QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDED 31 MARCH 2014

ASX CODE: AJQ

SHARES ON ISSUE
301,390,240

LISTED OPTIONS
57.7 million

MARKET CAPITALISATION
\$48m (at AUD\$0.16)

DIRECTORS

Nicholas Mather (Chairman)
William Stubbs
Roland Sleeman
Stephen Bizzell

CHIEF EXECUTIVE
Robbert de Weijer

COMPANY SECRETARY
Karl Schlobohm

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HIGHLIGHTS

- Overhead related cash requirements have been significantly reduced, and current cash position is expected to be further increased through an R&D tax credit in Q3 2014.
- The Company is planning the next stage of its exploration program to expand on the encouraging results and high quality data collected during 2012 and 2013.
- The preferred project funding strategy for the next stage of exploration activities is to introduce large, quality partners via farmin agreements, subject to agreeing acceptable terms. Discussions with several parties are ongoing.
- In the meantime, work program preparation will involve desktop analysis and site clearances to enable work to commence promptly in the field.
- The company is waiting on formal Government approval to drill conventional well Otway-1 in PEP169, Victoria.
- Further details of the 2014 work program will be influenced by partnering discussions in progress, but are expected to involve the re-commencement of the Egilabria-2 clean up and production test, and up to 3 exploration wells.



Overhead related cash requirements have been significantly reduced, and current cash position is expected to be further increased through an R&D tax credit in Q3 2014.

During the quarter, a number of organisational adjustments were implemented resulting in a smaller, more flexible employee group. Importantly however, a number of consultancy agreements were put in place to ensure continued access to key capabilities. These are based on pay for use arrangements rather than retainers.

The Company's Directors agreed to a 33% reduction of their Board Fees, and the Executive Management agreed for 20% of their base remuneration to be paid by way of shares in the Company. In addition, CEO Robbert de Weijer acquired 325,000 shares at 20 cents in the Company whilst also agreeing for 20% of his base remuneration to be paid by way of shares.

The aim of these measures was to substantially reduce the Company's cash expenditure in relation to general and administrative costs in order to ensure the maximisation of cash available for in-ground expenditures moving forward and the preservation of the projected cash balance.

The Company's cash balance of \$7.9m at end March is expected to be further enhanced by the receipt of a substantial Research and Development tax credit in Q3 2014. Accordingly, the Company has no plans for an equity raising until 2015, if at all.

The Company is planning the next stage of its exploration program to expand on the encouraging results and high quality data collected during 2012 and 2013.

The Company considers the results and information gained from the 2012 and 2013 work program confirms that a large, new petroleum province exists in Northern Australia. As a result, Armour is ideally positioned to benefit as a result of its first mover approach into the region and its very large 100% owned acreage position across the most prospective areas.

The next stage of the Company's exploration program will seek to expand on the current data set and further mature the understanding of Armour's tenements across a much broader area.

The preferred project funding strategy for next stage of exploration activities is to introduce large, quality partners via farmin agreements, subject to agreeing acceptable terms. Discussions with several parties are ongoing.

Since Armour acquired its tenements in Northern Australia, the region is attracting increasing interest from both junior and major Australian and international oil and gas companies, some of whom have already secured an involvement in the region via farmin deals. These and other players, seeking to identify the best areas to apply North American technology to unlock vast potential shale gas resources, continue to look beyond more established basins such as the Cooper.

The quality of the data set acquired during Armour's work to date is reflected by the significant interest being received from major players in partnering with Armour in the region.

The Company believes that in the current market environment, a high quality partnering arrangement will provide technical endorsement of Armour's acreage and be the most efficient source of capital to fund the next stage of activity.

During the quarter the Company fielded approaches from various parties. These discussions are on-going.

In the meantime, work program preparation will involve desktop analysis and site clearances to enable work to commence promptly in the field.

There were no on-ground field activities undertaken during the quarter due to the wet season, which in Northern Australia runs approximately from November to April.

In **Queensland**, preparation for future drilling operations is in progress with the focus being on establishing lowest cost drilling operations that will meet the technical objectives of the exploration program. Armour has been in discussion with several drilling contractors and is working with them on drilling program options, rig options and associated field support options to minimise overall exploration field costs going forward.

Armour has submitted a seismic work program for Cultural Heritage clearance from its Native Title stakeholders. The program identifies approximately 150km of regional seismic lines to be surveyed. A work program for exploration drilling and associated activities is also being prepared for Cultural Heritage clearance.

In the **Northern Territory**, the Company has been working with the Northern Land Council to progress the granting of EPA193 (refer to Figure 1). It is planned that this tenement will be granted during 2014.

Armour has also submitted a Northern Territory work program for Cultural Heritage clearance. The program identifies approximately 200km of regional seismic and approximately 50km of prospect scale seismic to be surveyed. The work program allows for well sites to be determined following seismic survey thus enabling Cultural Heritage clearance to be carried out for future exploration drilling and associated activities.

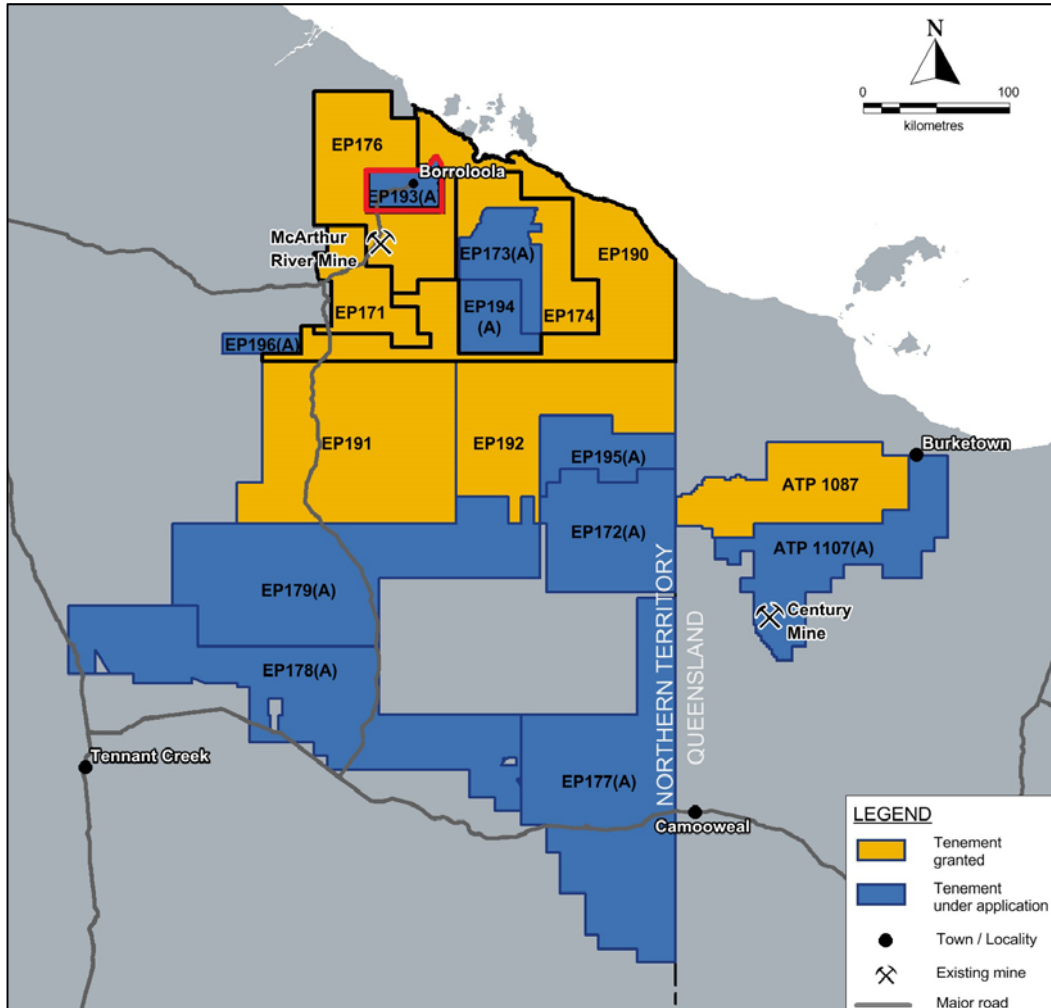


Figure 1: Location of Armour tenements, QLD and NT.

The Company is waiting on formal governmental approval to drill conventional well Otway-1 in PEP169, Victoria.

In **Victoria**, Armour and its partner Lakes Oil have lodged applications to drill the Otway-1 conventional well in PEP169. The Companies have since been pursuing approval of these applications with Government.

If approval is received before the southern wet season impacts access to the site, the Otway-1 well be drilled promptly.

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

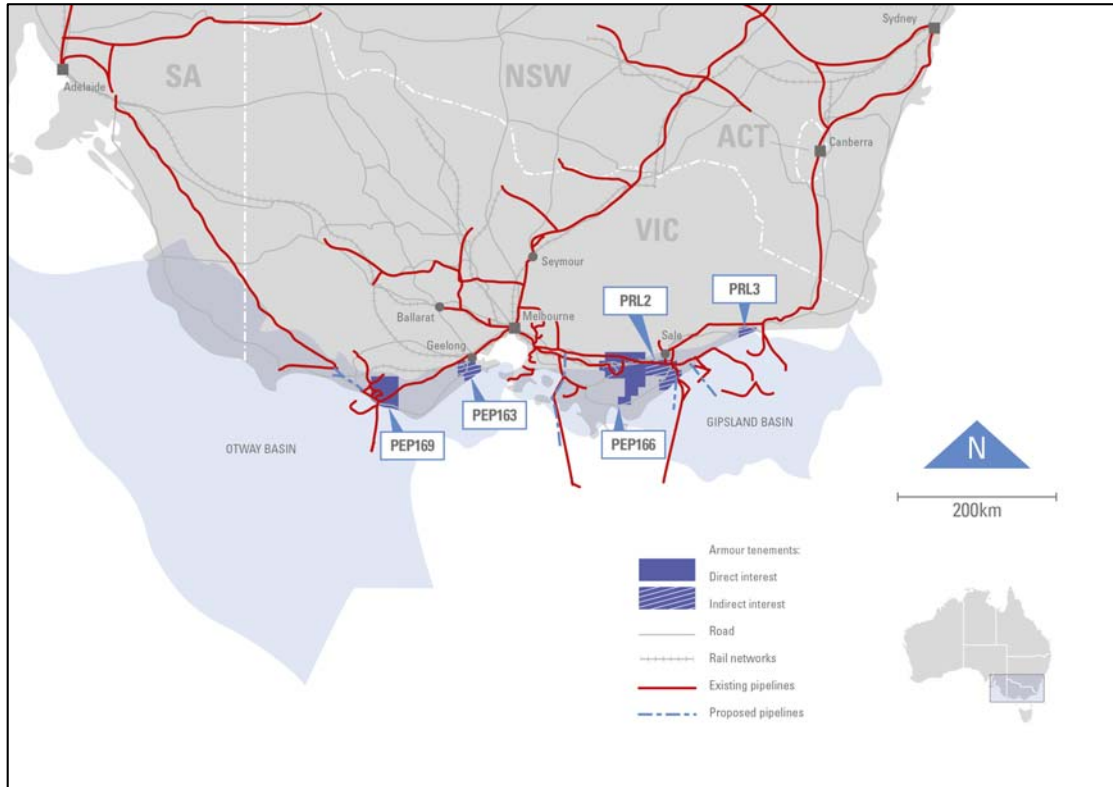


Figure 2: Map of Armour interests in Victorian tenements (direct and indirect).

Further details of the 2014 work program will be influenced by partnering discussions in progress, but is expected to involve the re-commencement of the Egilabria-2 clean up and production test, and up to 3 exploration wells in the Northern Territory.

Due to the partnering discussions presently underway, details of Armour’s 2014 exploration program are yet to be confirmed. However it is the Company’s intention to re-commence the production test on Egilabria-2 and drill up to approximately 3 exploration wells in the Northern Territory.

Egilabria 2, in Queensland, was the first well in Australia to flow gas from a horizontal, hydraulically stimulated shale formation. The production test was suspended in November last year at the onset of the wet season.

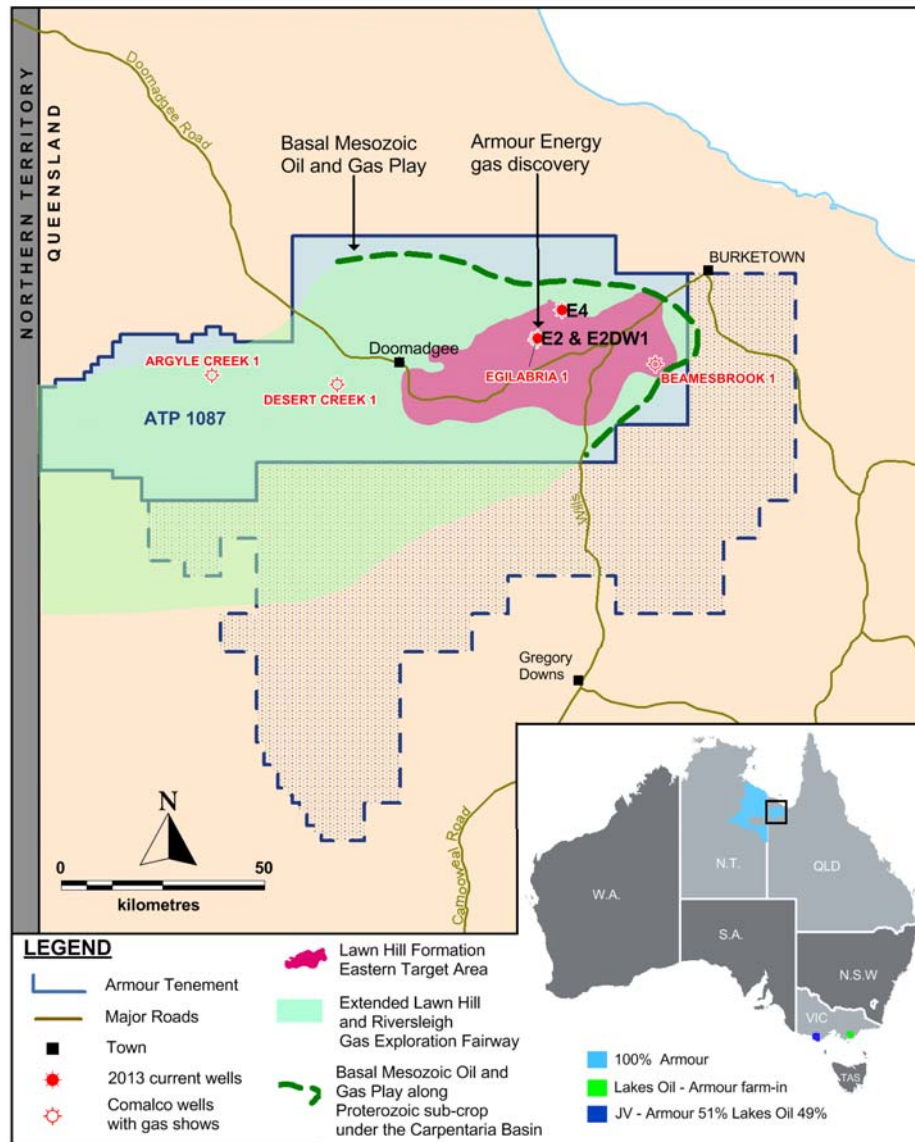


Figure 3: Location of the Egilabria 2 well site within ATP 1087, Queensland.

HEALTH, SAFETY AND ENVIRONMENT

Queensland & Northern Territory

There were no on-ground field activities undertaken during the quarter due to the wet season in north Queensland and the Northern Territory, and there is nothing to report regarding field activities.

With respect to office activities, there have been no issues to report.

INTERESTS IN TENEMENTS FOR THIS QUARTER

TYPE	LOCATION	NAME	OWNER	INTEREST
Acquired During Quarter				
EPM29953	Northern Territory		Ripple Resources	100%
Held at Beginning of Quarter				
EPP 191	Northern Territory	Wallhollow	Armour Energy	100%
EPP 192	Northern Territory	Wollogorang	Armour Energy	100%
EPM 19833	Queensland	Bowthorn	Ripple Resources	100%
EPM 19835	Queensland	Shadforth East	Ripple Resources	100%
EPM 19836	Queensland	Shadforth	Ripple Resources	100%
EL 29837	Northern Territory	Catfish Hole	Ripple Resources	100%
EL 29951	Northern Territory		Ripple Resources	100%
EL 29952	Northern Territory		Ripple Resources	100%
EL 29954	Northern Territory		Ripple Resources	100%
EL 29955	Northern Territory		Ripple Resources	100%
EPP 171	Northern Territory	Abner Range	Armour Energy	100%
EPP 174	Northern Territory	Robinson River 2	Armour Energy	100%
EPP 176	Northern Territory	Ryans Bend	Armour Energy	100%
EPP 190	Northern Territory	Calvert	Armour Energy	100%
ATP 1087	Queensland	South Nicholson	Armour Energy	100%
PEP 169	Victoria	Moreys	Lakes Oil	51%
PEP 166	Victoria	Holdgate	Lakes Oil	25%
PRL2	Victoria		Lakes Oil	15%

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



On behalf of the Board
 Karl Schlobohm
 Company Secretary

ABOUT AMOUR 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, 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, which are all 100% owned, are characterised by low population densities, cooperative stakeholders and a natural environment suited to the exploration and development of a major future hydrocarbon province. Armour 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 in joint venture with Lakes Oil, for gas and associated petroleum liquids.

In its 2012 exploration program, Armour encountered gas in the first two of its Northern Territory project areas, with both conventional and unconventional gas shows and flows encountered. The Glyde 1 well, which was drilled with an unfracted lateral, flowed at 3.3 million standard cubic feet per day during flow testing.

In June 2013, Armour entered into a Heads of Agreement with APA to work towards transportation of up to 330 Petajoules a year of gas in the existing upgraded and future APA pipeline network to undersupplied coastal Queensland LNG and Sydney markets.

See www.armouenergy.com.au for more information.