



QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2014

ASX CODE: AJQ

SHARES ON ISSUE
302,183,953

MARKET CAPITALISATION
\$15m (at AUD\$0.05)

DIRECTORS

Nicholas Mather (Chairman)
William Stubbs
Roland Sleeman
Stephen Bizzell

CHIEF EXECUTIVE
Robbert de Weijer

COMPANY SECRETARY
Karl Schlobohm

CONTACT DETAILS

Level 27, 111 Eagle Street
Brisbane Qld 4000
Tel: +61 7 3303 0620
Fax: +61 7 3303 0681

POSTAL ADDRESS

GPO Box 5261
Brisbane QLD 4001

www.armourenergy.com.au

HIGHLIGHTS

- With a substantial increase in the Company's cash position expected during the current quarter (see further below), and careful management of costs and tenement obligations, Armour is well placed to remain in a relatively strong position through challenging market conditions, and to take advantage of attractive gas market fundamentals on the East Coast of Australia over the next 12 to 18 months and beyond.
- Armour's application to Ausindustry for an Advance Finding under the Industry Research and Development Act 1986 ("the Act") was approved by Ausindustry. This entitles Armour to a substantial cash rebate that is expected to be received in the current quarter after the Australian Taxation Office processes the Company's 2014 financial year tax return.
- A Memorandum of Understanding was entered into with Aeon Metals Limited ("Aeon Metals") relating to gas supply from Armour's exploration tenements in North West Queensland to Aeon Metals' Walford Creek Project.
- Armour was successful in its tender for Queensland Petroleum Land Releases (PLR) 2014-1-2 and 2014-1-3, which are located to the southwest of the Company's existing Queensland tenement position ATP 1087 and ATP(A)1107.
- Discussions with a number of potential joint venture partners are ongoing.



With a substantial increase in the Company's cash position expected during the current quarter (see further below), and careful management of costs and tenement obligations, Armour is well placed to remain in a relatively strong position through challenging market conditions, and to take advantage of attractive gas market fundamentals on the East Coast of Australia over the next 12 to 18 months and beyond.

During the quarter ended 31 December 2014 and since the year end, Armour has achieved or continued to maintain several important factors that will be key to seeing the Company remain in a relatively strong position to ensure its exposure to the gas market opportunity developing on the East Coast of Australia.

Armour expects a rapid supply response to lower oil price conditions to occur globally, and in particular in the United States unconventional oil and gas sector. It is not unreasonable to expect this supply response to be directly followed by increased oil prices.

Notwithstanding the above, Armour expects future gas demand on the East Coast of Australia to grow strongly following completion of Gladstone based LNG projects. Near term reduction in capital budgets otherwise intended to meet this increase in demand will only make supply shortfalls worse. This further confirms the market opportunity that exists for Armour in the medium to long term.

With a strong focus on keeping overhead costs as low as possible, continued management of tenement obligations through liaison with Government, and now with a substantial cash injection expected in the current quarter (see further below), Armour is maintaining the right conditions for future creation of shareholder value.

Armour's application to Ausindustry for an Advance Finding under the Industry Research and Development Act 1986 ("the Act") was been approved by Ausindustry. This entitles Armour to a substantial cash rebate that is expected to be received in the current quarter after the Australian Taxation Office processes the Company's 2014 financial year tax return.

As previously announced, Armour had been advised that its application was unsuccessful. Armour requested that decision be reviewed and, on the basis of the review, Armour has now received binding notification from Ausindustry that the previous determination has been revised, and the application has been approved with minor adjustments.

It should be noted that the Quarterly Cash Flow Report excludes the rebate as it had not been received at the 31 December 2014 balance date. Directly after processing by the Australian Taxation Office of the Company's annual tax return, Armour will update the market as to the amount of cash received.

A Memorandum of Understanding was entered into with Aeon Metals Limited ("Aeon Metals") relating to gas supply from Armour's exploration tenements in North West Queensland to Aeon Metals' Walford Creek Project.

Aeon Metals' Walford Creek Project site is located approximately 10km North West from Armour Energy's 100% owned ATP1087 which covers 7,138 km² (1.8 million acres) (**Figure 1**).

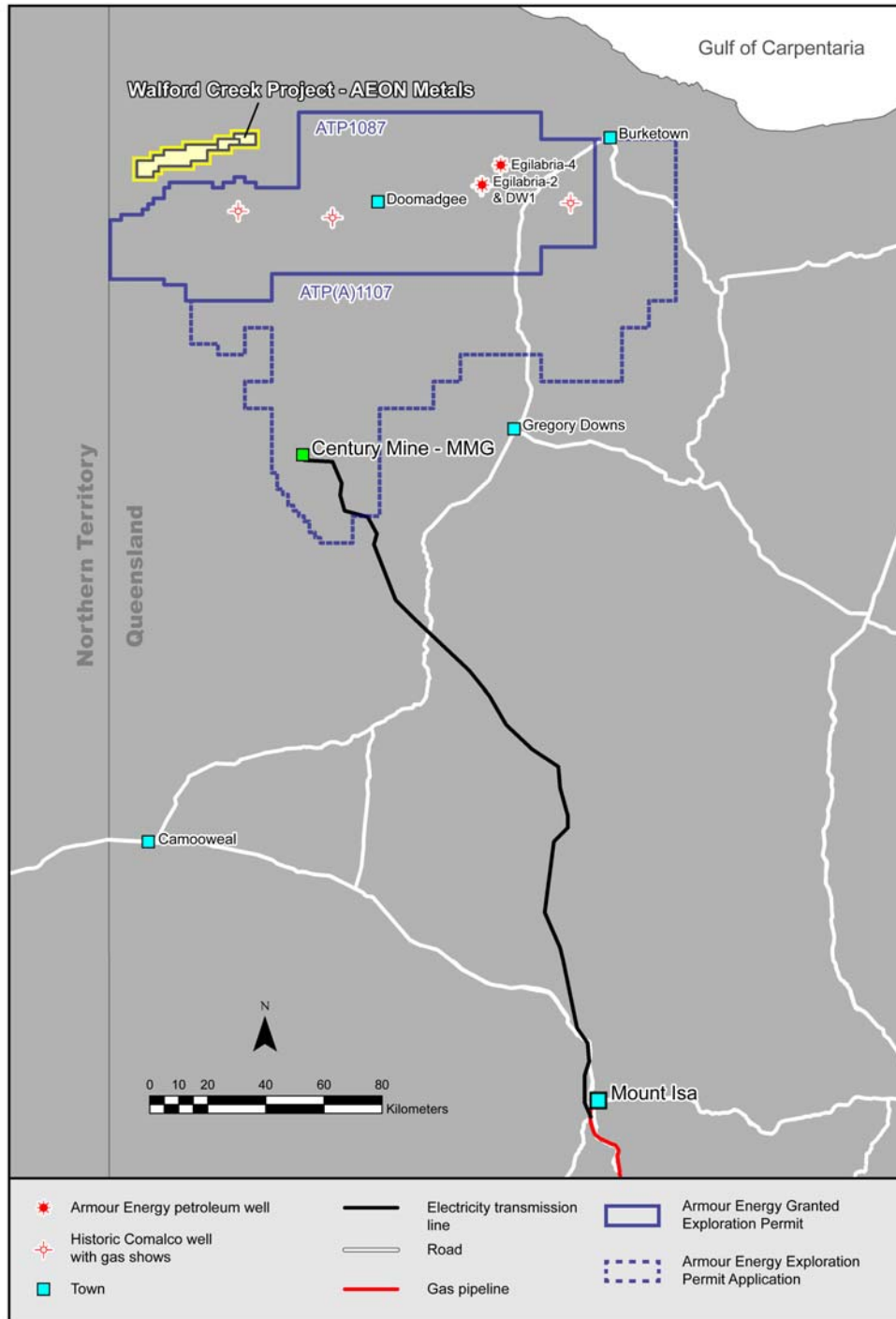


Figure 1: Location of Aeon Metal's Walford Creek Project and Armour's Queensland ATPs

The MOU relates to gas supply volumes of 1-2 Petajoules (or approximately 1-2BCF) per annum. Pricing will be determined to ensure an acceptable return on invested capital for both Armour and Aeon Metals. In the event that Armour farms out its interests in its tenement to third parties, gas supply to Aeon Metals would only relate to Armour's retained equity in the gas project, unless a future upstream partner elects to participate pro rata in the sale of gas to Aeon Metals.

Aeon Metals (ASX:AQR) is an ASX listed company with interests in a regionally extensive base metals tenement package in the Mount Isa and Constance Range areas of northwest Queensland. The most advanced of Aeon Metals' projects in North West Queensland is the Walford Creek Project, where work completed to date has defined a poly-metallic JORC compliant resource, with step out drilling continuing to expand the initial resource base.

The Walford Creek Project has a clear pathway to project development with the potential for an open pit mine development of world scale. The 2014/2015 drilling program at Walford Creek has identified and delineated extensions of the existing mineralisations. Metallurgical studies are underway form part of the mining parameters that will ultimately support a feasibility study.

Armour was successful in its tender for Queensland Petroleum Land Releases (PLR) 2014-1-2 and 2014-1-3, which are located to the southwest of the Company's existing Queensland tenement position ATP 1087 and ATP(A)1107.

Being awarded preferred tenderer status for these new tenements increases the Company's exposure to the South Nicholson Basin and in particular the highly prospective Lawn and Riversleigh Shale Formations. The two tenements increase Armour Energy's acreage position by approximately 5,400 km² (1.3 million acres).

From work done to date in its existing permits, Armour believes that prospective Isa Super-Basin sediments continue to the southwest, underlie both PLR 2014-1-2 and PLR 2014-1-3 and continue westward into the Company's Northern Territory tenements. Both the Lawn Shale and Riversleigh Shales are believed to be present. There are various synergies that exist in developing gas resources in ATP 1087 and ATP(A) 1107 and potential resources within PLR 2014-1-2 and PLR 2014-1-3.

Native Title Agreements and relevant environmental clearances will be required before Armour Energy can be granted an exploration permit over the preferred tender areas.

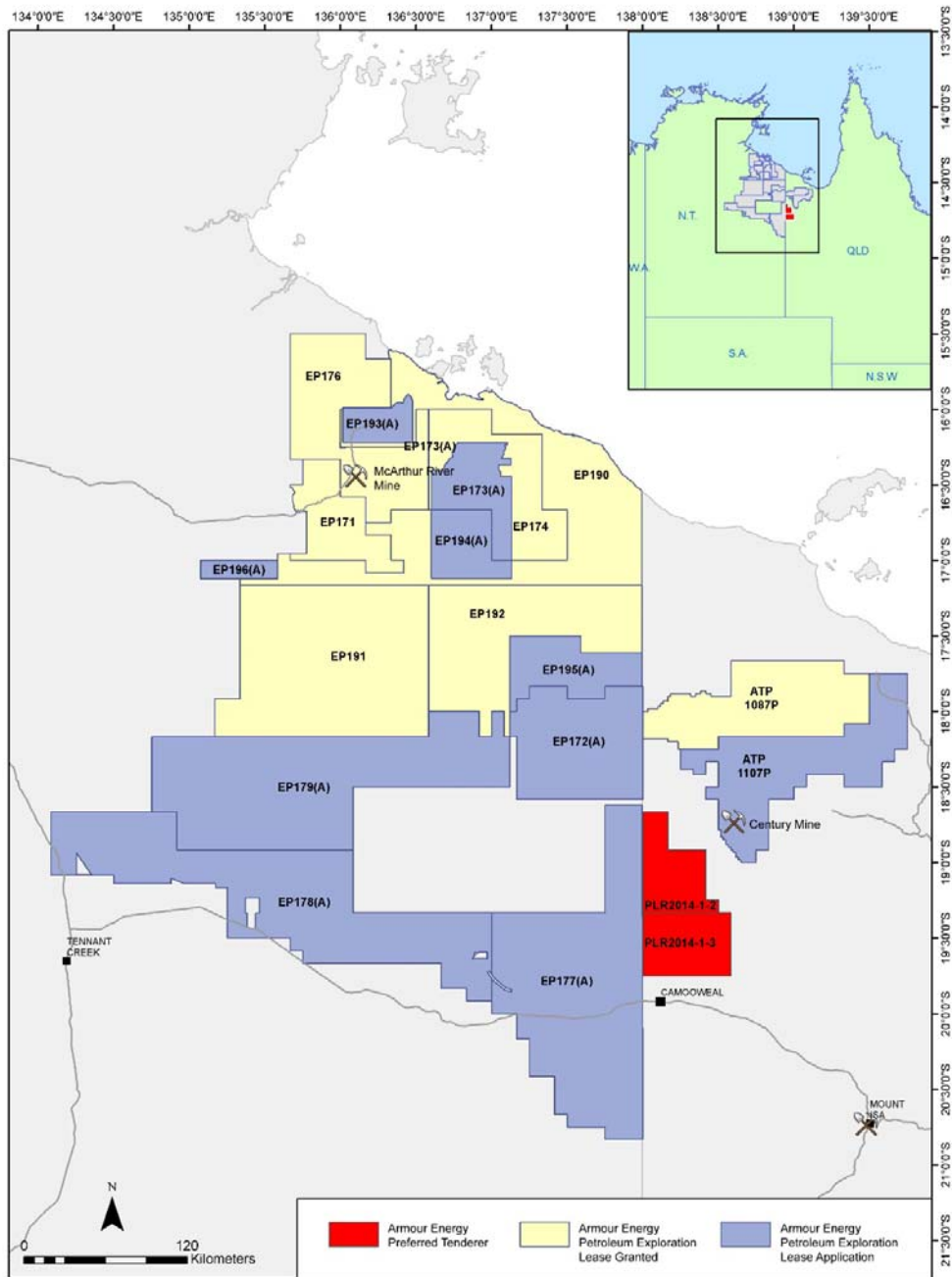


Figure 2: Location Map – PLR 2014-1-2 and 2014-1-3 in Queensland

Discussions with a number potential joint venture partners are ongoing.

It is the Company's strategy to fund the next major stage of its exploration program through partnering. Armour continues to progress a dialogue with several potential partners towards this objective and remains encouraged by the interest expressed in its projects in Northern Australia by major industry players in Australia and overseas.

Meanwhile the Company is also continuing to evaluate forward programmes in both Queensland and the NT based on work done during 2014 and prior years. In Queensland Armour has been evaluating forward programs to determine 3C contingent gas resources across the entire Lawn and Riversleigh Shale fairways which cover 1,500 km² and 4,000 km² respectively within ATP1087. Third party independent certifier SRK Consulting estimates Contingent Resources relating to the Lawn Hill Shale Formation in Egilabria 2 of 364BCF 3C; 154BCF 2C; 33BCF 1C relating to a 64km² area around Egilabria 2 (SRK Consulting, July 2014). Armour believes that the entire fairway is prospective for additional resources on this or a better basis. In the Northern Territory, Armour has been evaluating forward programmes to progress the conventional play in the Glyde area and to further evaluate the large unconventional plays in the northern part of its very large NT acreage position.

HEALTH, SAFETY AND ENVIRONMENT

No accidents or incidents to report.



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.

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

The resources information in this public report is based on, and fairly represents, data and supporting documentation prepared by, or under the supervision, of Dr Bruce McConachie. Dr McConachie is a Principal Consultant of SRK Consulting (Australasia) Pty Ltd and has a PhD (Geology) from QUT and is a member of AusIMM, AAPG, PESA and SPE. The resources information in this public report was issued with the prior written consent of Dr McConachie in the form and context in which it appears. Resource estimations were prepared by SRK Consulting in accordance with the definitions and guidelines of the 2007 Petroleum Resources Management System (SPE, 2007). Additionally, the PMRS Guidelines 2011 were used to distinguish the Contingent Resources from quantities that should be classified as Unrecoverable. Further details are contained within the Company's announcement of 16 July 2014.

INTERESTS IN TENEMENTS FOR THIS QUARTER

TYPE	LOCATION	NAME	OWNER	INTEREST
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Acquired During Quarter

Held at Beginning of Quarter

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%
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%
EPM 19795	Queensland	Egilabria North	Ripple Resources P/L	100%
EPM 19797	Queensland	Egilabria South	Ripple Resources P/L	100%
EPM 25410	Queensland	Bowthorn - extended	Ripple Resources P/L	100%
EPM 25411	Queensland	Buffalo Creek	Ripple Resources P/L	100%
EPM 25412	Queensland	Brookdale	Ripple Resources P/L	100%
EPM 25413	Queensland	Punjaub	Ripple Resources P/L	100%
EPM 25414	Queensland	Bluebush Northwest	Ripple Resources P/L	100%
EPM 25415	Queensland	Buffalo Creek North	Ripple Resources P/L	100%
EL 30076	Northern Territory		Ripple Resources P/L	100%
EL 30077	Northern Territory		Ripple Resources P/L	100%
EL 30078	Northern Territory		Ripple Resources P/L	100%
EL 30079	Northern Territory		Ripple Resources P/L	100%
EL 30080	Northern Territory		Ripple Resources P/L	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 29953	Northern Territory		Ripple Resources	100%
EL 29954	Northern Territory		Ripple Resources	100%
EL 29955	Northern Territory		Ripple Resources	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%



Level 27 111 Eagle St Brisbane | GPO Box 5261 Brisbane, QLD 4001
fax: +61 7 3303 0681 | ph: +61 7 3303 0680 | info@armouenergy.com

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