Armour Energy Limited

24 April 2013

Third Party Independent Certification Confirms Armour’s Previous Estimates of Conventional Gas Prospectivity, and Estimates Contingent Resources for the Coxco Dolomite, McArthur Basin, Northern Territory

Highlights:

- Third party independent certifier DeGolyer and MacNaughton estimates 264.4 Billion Standard Cubic Feet (Bscf) or 322 Petajoules (PJ) of unrisked Mean Prospective Resources in the Coxco Dolomite, a free-flowing reservoir in the Batten Trough, McArthur Basin, associated with twenty-three (23) conventional gas prospects.

- DeGolyer and MacNaughton estimates 10.3 Bscf or 12.5 PJ of 3C Contingent Resources relating to the successful Glyde 1 and Glyde 1 ST1 discovery wells in the Coxco Dolomite.

- Estimates of 18.7 Trillion Standard Cubic Feet (Tscf) of mean prospective resources in several unconventional reservoirs including 100 Bscf or 120 PJ of mean prospective resources in the Lynott and Reward Formations at the Greater Cow Lagoon Structure as estimated by Armour Energy and previous MBA Petroleum Consultants Reporting of 18.6 Tscf of Mean Prospective Resources within the Barney Creek Formation of EP 171 and EP 176.

- Oil bleeding from historic zinc exploration holes in the Batten Trough provides basis for further shale oil exploration targets in the Barney Creek Formation.

- The estimation of Contingent Resources supports Armour’s efforts to provide gas to numerous gas market opportunities in the Northern Territory. Armour is currently in confidential negotiations with three parties in the Northern Territory to progress a conditional gas sales arrangement.

The Directors of Armour Energy Limited (ASX: AJQ) (the Company) are pleased to provide an update on the resources resulting from the 2012 Northern Territory exploration program, including third party confirmation of Prospective Resources estimates and newly defined Contingent Resource estimates from conventional targets in the free-flowing Coxco Dolomite. The location of these tenements is illustrated in Figure 1.

Further Contingent Resources (potentially upgradeable to gas reserves) are being targeted by Armour Energy as part of the Company’s 2013 Batten Trough exploration program, evaluating both conventional and unconventional accumulations.
Twenty Three (23) Conventional Gas Target Areas with Estimated 264.4 Bscf (322 PJ) of Mean Prospective Resources

DeGolyer and MacNaughton have based their estimate of 264.4 Bscf Mean Prospective Resources, unrisked, on twenty-three (23) of Armour’s targeted areas in the Coxco Dolomite of the Teena Formation, a conventional, free-flowing reservoir in the Batten Trough, McArthur Basin (Figure 2, Table 1). This type of conventional gas accumulation was discovered by Armour in the course of drilling the Glyde 1 ST1 lateral well in August 2012 and occurs within the porous and permeable dolomites and breccias of the Coxco Dolomite. DeGolyer and MacNaughton have prepared their Prospective Resource Estimates in accordance with the Society of Petroleum Engineers (SPE) Petroleum Resource Management System (PRMS) guidelines, and as of 1 April 2013.

The permeability in the Coxco Dolomite is believed to be formed by structural brecciation and fracturing along the Emu and Tawallah Faults, together with talus or scree breccias, occurring adjacent to faults and areas of solution brecciation in contact with the organic rich shale source rock of the Middle Proterozoic, Barney Creek Formation. A stratigraphic section of these formations is presented in Figure 3.

The geology of the Coxco targets has been defined by surface mapping and further evaluation of the extensive airborne gravity and magnetic surveys completed by the Company over the Glyde and Myrtle Sub Basin regions. Armour is using these interpretations to high-grade areas for 2013 exploration wells and to strategically locate further 2-D seismic and magnetotelluric surveys. Armour is currently completing cultural heritage clearance of many of the target areas for the Coxco Dolomite in EPs 171, 176 and 190 within the Batten Trough (Figure 2), prior to commencement of the 2013 drill program.

Glyde 1 ST1 Lateral Well Discovery Provides an Estimated 10.3 Bscf (12.5 PJ) of Conventional Gas 3C Contingent Resources

During the August 2012 drilling of the Glyde 1 ST1 lateral well, a series of flow tests were performed on the prospective intersection of the middle-Proterozoic aged, Barney Creek Shale and the Coxco Dolomite Formations at a measured well depth of 648-810 m and vertical depth of circa 500 m.

During 45 minutes of testing, Glyde 1 ST1 indicated a total flow on a 16/64 inch choke of 606 thousand standard cubic feet per day equivalent (Mscf/d) at 412 psi pressure. After 30 minutes of surface shut in, a pressure of 554 psi was observed providing readily analysable reservoir and pressure data. Then, after 10 minutes of further flow testing on a full open choke of 64/64 inch, the well was flowing at 3.33 million standard cubic feet per day equivalent (MMscf/d) at a pressure of 125 psi. Gas chromatography data from this interval indicated a composition of 77% Methane (C1), 11% Ethane (C2), 11% Propane (C3), 0.6% n-Butanes (C4), 0.2% n-Pentanes (C5) with negligible Carbon Dioxide.

Based on Armour’s geological data, pressure transient analysis of the flow test, production modelling, and projected appraisal and development strategy, DeGolyer and MacNaughton were able to estimate a total area of 1440 acres, containing a 3C Contingent Resource volume of 10.3 Bscf or 12.5 PJ (See Table 2). DeGolyer and MacNaughton have prepared their Contingent Resource Estimates in accordance with SPE PRMS guidelines, and as of 1 April 2013.
2013 Exploration Program Underway

Armour is currently clearing locations for its 2013 appraisal program in the Batten Trough with the aim of defining further Contingent Resources with a view to ultimately progress towards reserves definition. Armour is currently completing studies on Cow Lagoon 1 and existing seismic and aeromagnetic data on an east-to-west line in the northern section of the Batten Trough and with a view to early definition of additional gas exploration prospects. This program is likely to lead to further upgrading of the Company’s gas resource outlook in the Northern Territory.

Continuing Focus on Extensive Unconventional Gas Resources

Armour also continues to investigate its extensive unconventional naturally-fractured and shale gas accumulations in the Batten Trough with a current mean prospective resource of 18.8 Tscf estimated within the Lynott, Reward and Barney Creek Formations.

Armour has previously reported discoveries of unconventional gas accumulations in the Lynott and Reward Formations at the Greater Cow Lagoon Structure of 100.4 Bscf (120 PJ), located north of the McArthur River Mine. Further unconventional resources are expected at the Ryan’s Bend, Looking Glass and Batten Creek targets to the west of the Greater Cow Lagoon Structure (Figure 2).

The gas discovery in the Barney Creek Formation at the Glyde 1 vertical well substantiates MBA Petroleum Consultants’ estimate of a mean prospective resource of 18.6 Tscf in the Barney Creek Shale within EP 171 and EP 176. A P90 (or 90% probability level) of 3.6Tscf recoverable gas resource was assessed by MBA Petroleum Consultants for this same area.

As with the Cow Lagoon 1, Glyde 1 and Glyde 1 ST1 wells, Armour will continue to gather extensive data to further substantiate the unconventional resource potential of the Barney Creek Formation. Several studies are underway on the Barney Creek Formation samples and log data from Cow Lagoon 1, Glyde 1, and Glyde 1 ST1 wells that will aid further targeting of a future lateral well with fracture stimulation in the Barney Creek Formation. As with the Glyde 1 and Glyde 1 ST1 wells, this lateral drilling prospect will likely be performed in conjunction with a vertical well exploring the underlying Coxco Dolomite.

Oil Prospects in Barney Creek Formation

Armour has defined several areas in the Batten Trough in the Barney Creek Formation where oil has been discovered bleeding from cores from zinc exploration wells. The Company is currently defining potential shale oil exploration targets in these areas.

Commercial Negotiations

Armour is currently in confidential discussions regarding conditional gas sales agreements with three parties in the Northern Territory to supply gas from the Batten Trough tenements. A conditional gas sales agreement will provide the basis for further funding towards reserves definition and development.
On behalf of the Board
Karl Schlobohm - Company Secretary

Raymond L Johnson Jr., General Manager Exploration and Production for Armour Energy, is qualified in accordance with the requirements of ASX listing rule 5.11 and has consented to the use of the Armour Energy resource figures in the form and context in which they appear in this announcement.

The resource estimates used in this announcement, where indicated, were compiled by MBA Petroleum Consultants, and detailed in the Independent Expert’s Report, Replacement Prospectus dated 20 March 2012 for Armour Energy (Chapter 9).

DeGolyer and MacNaughton is qualified in accordance with the requirements of ASX listing rule 5.11 and has consented to the use of the DeGolyer and MacNaughton resource figures in the form and context in which they appear in this announcement.

About Armour Energy

Armour Energy is 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. This region has only recently had its shale potential identified by Armour Energy. The domestic and global demand for gas, combined with the new shale extractive technologies and experienced personnel, provides Armour with an extraordinary opportunity to define and ultimately develop a new liquids rich gas province.

Armour Energy’s permit areas are characterised by low population densities, cooperative stakeholders and aspects of the natural environment suited to the exploration and development of a future gas and liquids province. Armour places considerable importance on close liaison with traditional owners and all stakeholders and this approach has led to speedy grant of its key tenements in the Northern Territory. The Company intends to continue to invest in this effort.

Armour Energy 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.

The Board of the Company includes four past Directors of Arrow Energy, and the same expansive approach to exploration and development that drove Arrow’s evolution is planned for Armour Energy. The CEO Mr Philip McNamara has been involved in the development of large coal projects, including most recently as managing Director of Waratah Coal, where he was instrumental in securing $5.5 billion of financing for the proposed development of the Galilee Basin coal projects. The Company’s technical team includes a range of industry experts and seasoned professionals who have been selected to support the Board and the CEO in our goal to build Armour Energy into a significant gas exploration and development company.

Further information regarding Armour Energy Limited, its projects, management team and a copy of its Prospectus are available on the Company’s website at www.armourenergy.com.au
Figure 1: Location of Armour Energy projects in Northern Territory
Figure 2: Conventional and Unconventional Gas Targets in the Batten Trough
Table 1: Estimates of Conventional Gas Prospective Resources in Coxco Dolomite, EPs 171, 176 and 190 within the Batten Trough (by DeGolyer and MacNaughton, as of 1 April 2013)

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<th>Most Likely Estimate (Bscf)</th>
<th>High Estimate (Bscf)</th>
<th>Mean Estimate (Bscf)</th>
<th>Low Estimate (PJ)*</th>
<th>Most Likely Estimate (PJ)*</th>
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*Based on Glyde 1 ST1 gas chromatography data or a conversion of 1.218 GJ/Mscf

Table 2: Estimates of Conventional Gas Contingent Resources of Coxco Dolomite, Glyde 1 Target Area (1440 Acres, based on Glyde 1 ST1) within EP 171 within the Batten Trough (by DeGolyer and MacNaughton, as of 1 April 2013)

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<th>2C (Bscf)</th>
<th>3C (Bscf)</th>
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*Based on Glyde 1 ST1 gas chromatography data or a conversion of 1.218 GJ/Mscf
Figure 3: Stratigraphic Section in the Batten Trough