

Armour Energy Limited

16 July 2014

**Third Party Independent Certification of 350 PJs (3C) Contingent Resources
Lawn Hill Shale, Egilabria 2 DW1, ATP1087, Queensland**

Highlight:

- **Third party independent certifier SRK Consulting estimates Contingent Resources relating to the Lawn Hill Shale Formation in Egilabria 2 DW1 of 364 BCF (3C); 154 BCF (2C); 33 BCF (1C).**

The Directors of Armour Energy Limited (ASX: AJQ) (the Company) are pleased to provide an update on the certification of resources resulting from the Egilabria 2 DW1 well, a lateral drilled in ATP1087 Queensland, by the Company in 2013. Armour Energy has a 100% working interest in ATP1087. The locations of ATP1087 and the Egilabria 2 DW1 well are shown in **Figure 1**.

As reported in August 2013, the Egilabria 2 DW1 (lateral) well was cased and hydraulically stimulated in the Lawn Hill Formation in ATP1087 (see **Figure 2**).

During the flowback of stimulation fluids at Egilabria 2 DW1, the Lawn Hill Formation produced gas at surface comprising a very high methane content, together with ethane, helium, other inert gases and very little CO₂ and other inert gases. Gas production through an on-surface separator commenced after recovery of approximately 45% of the stimulation fluids.

The Company is pleased to report Contingent Resources of 364 BCF / 350PJs (3C) over a 64 km² area around the Egilabria E2 DW1 lateral well (see **Figure 1**).

The Company's forward plan is to focus on sweet spot definition and further evaluation of the Lawn Hill Formation fairway prior to continuing testing of an initial pilot well. Further appraisal of the basin will be planned as part of the 2015 work program for ATP1087 with the aim of increasing the Contingent Resources significantly in the Lawn Shale, in addition to appraisal of the underlying Riversleigh Formation, which is deeper, similar in thickness to the Lawn, has up to 11% Total Organic Carbon content, and is more widely distributed in the basin.

The Lawn and Riverslea Shales cover an area of at least 1,500km² on the eastern side of Armour's 100% owned ATP1087 (Figure 1).

Summary of SRK Consulting (Australasia) Pty Ltd ("SRK Consulting") Resource Analysis

SRK Consulting has provided an independent assessment of the Egilabria 2 hydraulically stimulated DW1, Lawn Hill Formation, Contingent Gas Resource Estimation, ATP1087 as of July 2014. The results of this assessment are set out below in **Table 1**.

Category	Net Gas Resources (less fuel and flare 5%)	
	BCF	PJ ⁽¹⁾
Total Proved (1C)	33.1	31.8
Total Proved + Probable (2C)	154.4	148.5
Total Proved + Probable + Possible (3C)	364.0	350.1

⁽¹⁾ Conversion 0.962 PJ/BCF

Table 1: Egilabria-2 DW1 Lawn Hill Formation, Contingent Gas Resource Estimation, ATP1087

Detailed information regarding this assessment is set out below.

Armour Energy CEO, Robbert de Weijer, said: *“Armour Energy continues to play a leading role in the identification and evaluation of shale gas resources in Australia from the Company’s highly prospective shale gas tenements in Northern Australia. The maiden certification of Contingent Resources following the drilling and hydraulic stimulation of Egilabria 2 during 2013 is just the beginning of the emergence of the Basin as a major gas province.*

Together with the nearby Egilabria 4 well, we now know that the Lawn and Riversleigh shale formations within ATP1087 are thick, contain world class Total Organic Carbon content of up to 11%, are capable of flowing gas that is high in methane and very low in CO₂ at a favourable depth interval. These shale formations appear well suited to the application of North American horizontal well hydraulic stimulation technology.

We are very encouraged by these results and look forward to appraising the area further with the ultimate aim to generate a large scale shale gas project in Northern Australia.”



On behalf of the Board
Karl Schlobohm - Company Secretary

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The resources information in this ASX release 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 ASX announcement was issued with the prior written consent of Dr McConachie in the form and context in which it appears.

SRK Consulting Resource Analysis – Detailed Information

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.

MBA Petroleum Consultants previously assessed 22.5 TCF of Mean Prospective Gas Resource in the Proterozoic aged Lawn Supersequence, hosting the Lawn Shale in ATP 1087, as of 20 March 2012.

The Egilabria 2 vertical well was spudded on 12 May 2013. The main objective for the well was to evaluate hydrocarbon potential of the Lawn Hill Formation. Numerous gas shows and gas flares were encountered within the formation and the well was drilled to a total depth of 1900 meters. The Egilabria 2 DW 1 lateral well commenced from the Egilabria 2 vertical well in mid-July 2013 and established a sub horizontal lateral section targeting an interval within the Lawn Hill Formation. The sub horizontal was hydraulically stimulated and after recovering 45% of the stimulation load the well began to produce gas. The gas was sampled from the separator for compositional analysis and a flare was reported prior to shut-in of the well in at the end of 2013. In June 2014, the well head was inspected and casing pressure was noted and additional gas samples were drawn from the well head for composition analysis. The average moveable hydrocarbon composition of the separator gas and well head gas had a methane content (88.5%), ethane (0.6%), helium (0.9%) and very little CO₂ (0.4%) and other inert gases (9.6%).

The SRK Consulting report documents the probabilistic methodology used to estimate the Contingent Resources around the Egilabria 2 DW1 well. This data included, but was not limited to, 2D seismic, historic and modern well data, electric logs, rock properties from chip samples and sidewall cores, gas composition analysis, hydraulic stimulation results and drew from analogous commercial shale plays in the US where applicable.

The key contingencies that prevent the resources being from being classified as petroleum reserves are field and transport infrastructure, final investment decision on full field development, petroleum lease grant and associated environmental authority, and domestic or export gas sales agreement.

Further geological studies, appraisal drilling and reservoir evaluation is being planned to gather additional information to identify sweet spots and a fairway for the Lawn Hill Formation in ATP1087. A provisional plan for further appraisal and potential development of the shale gas resources of the northern Mount Isa Basin, including the unconventional Lawn Hill Formation, was included in the SRK Consulting Report. The plan includes a program of further drilling and testing in future to further refine sweet spot delineation prior to any decision to proceed with a development.

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The 3C Contingent Resource area around the Egilabria 2 DW1 well is based on 120 acre spacing units and covers an area of 15,840 acres (64.1 km²) in Armour Energy's 100% owned ATP 1087, Queensland. The play area was defined as top of Lawn Hill Formation deeper than 1000 meters and its base. The thickness of the formation in Egilabria-2 is greater than 197 meters, with net shale of 97 meters.

By comparison, the Egilabria 4 vertical well also drilled by Armour Energy in 2013 intersected a net shale of 110 meters within a gross interval of 265 meters.

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. 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.

Further information regarding Armour Energy Limited is available on Armour's website at www.armourenergy.com.au

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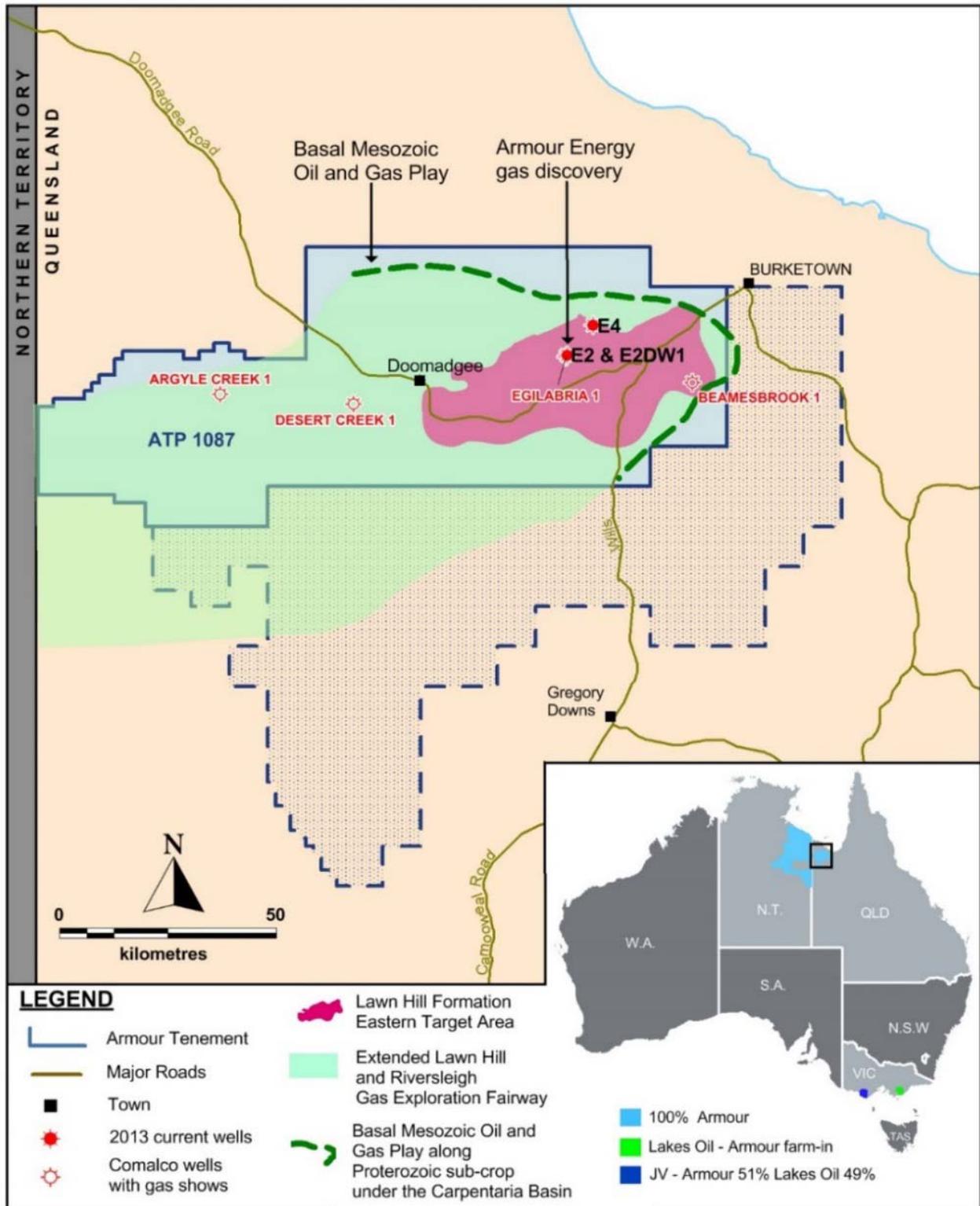


Figure 1: Map of ATP1087

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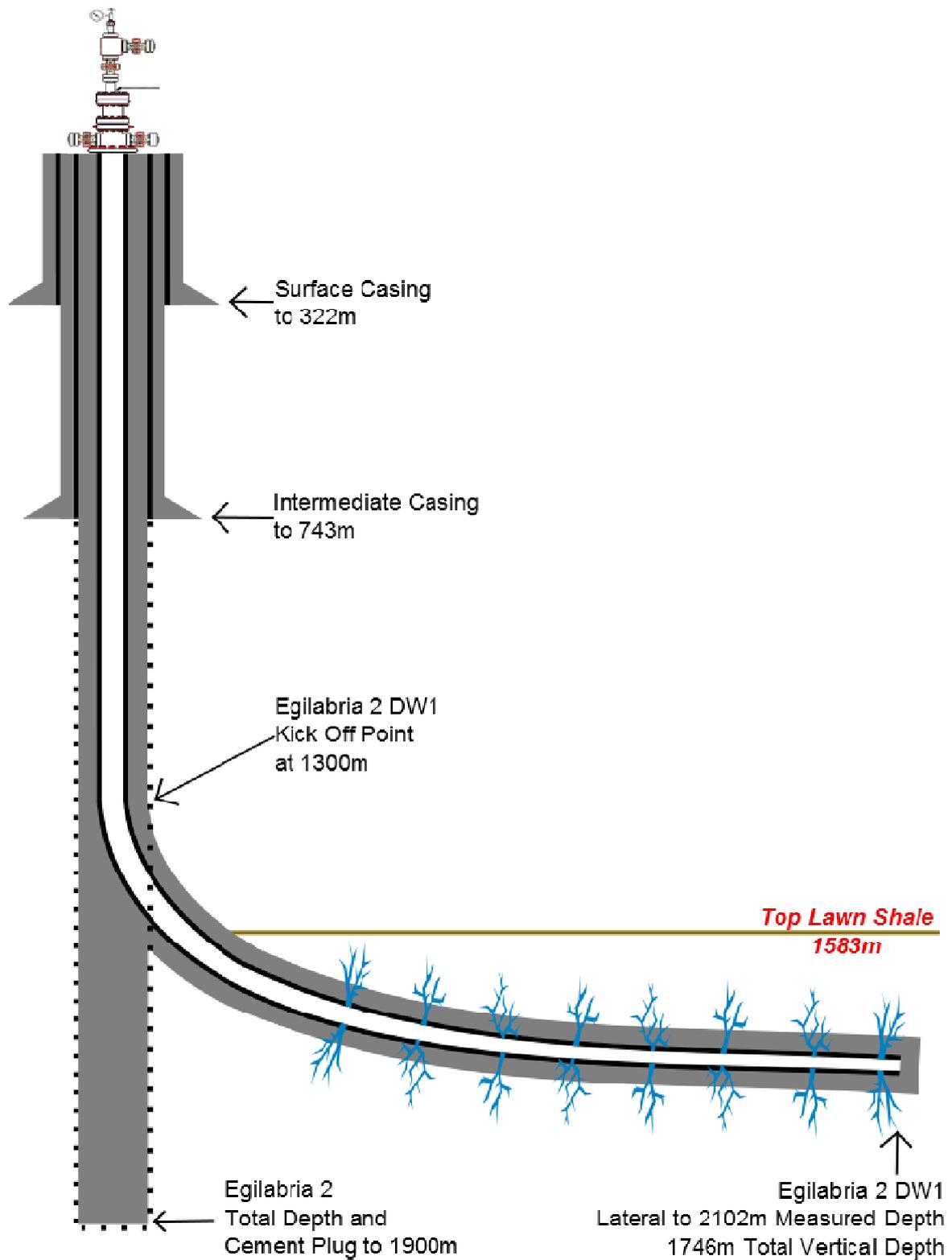


Figure 2: Egilabria 2 and Egilabria 2 DW1 (lateral) – well design