Armour Energy Limited

17 September 2014

2014 Work Program Update

Highlights:

- **Northern Territory**
  - **Regional 2D seismic survey (approx 210km) permitted and to commence shortly over Northern McArthur Basin.**
  - **3D geophysical survey to further evaluate Glyde project potential commenced.**
- **Queensland**
  - **Two (2) year extension to ATP1087 approved by Queensland Government.**
  - **Egilabria 2 DW1 well clean up recommenced. Data analysis continuing.**

The Directors of Armour Energy Limited (ASX: AJQ; Armour) are pleased to provide the following update on Armour's 100% owned exploration tenements in Northern Australia.

Northern Territory

- **210km Regional 2D seismic survey – EP171, EP174, EP176 & EP190**

As previously reported, Armour's intention during 2014 is to expand on its significant data set relating to the Company's granted exploration permits in the Northern Territory, by acquiring additional regional 2D seismic data. This survey is aimed to expand Armour's understanding of the extent and prospectivity of the Barney Creek Shale Formation and other conventional and unconventional exploration targets.

A map showing the location of seismic survey lines is presented in **Figure 1**, attached. The survey lines will largely be located on existing roads or tracks. The seismic acquisition will take approximately 20 days from commencement to completion and the overall program will be completed by the end of October 2014. Armour's seismic contractor performing the work is Terrex Seismic.

The survey is primarily focussed on identification of structures and prospective source and reservoir rocks in the Barney Creek Shale and Tawallah Groups, forecast to be deeper in the areas forming large depo-centres northeast and west of the McArthur River Mine.

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- **9km2 DCIP 3D Geophysical Survey – Glyde Sub-basin, EP 171**

The Glyde 1 ST1 lateral well was drilled by Armour in August 2012 and flowed at 3.3 million standard cubic feet per day equivalent (MMscf/d) at a pressure of 125 psi during 45 minutes of testing on a 16/64 inch choke. This conventional gas accumulation was discovered by Armour in the Coxco Dolomite of the Teena Formation, a conventional, free-flowing reservoir in the Batten Trough, McArthur Basin.

Armour has recently commenced a 3D geophysical survey, using DC resistivity and IP chargeability (DCIP) technology over an area of 3km x 3km (9km^2) centred around the Glyde discovery to assist in the definition of the vertical and lateral extent of the gas accumulation at Glyde. The results of this survey will be used with the objective of de-risking future wells in the Glyde area while Armour continues to evaluate the near term development of a project in this area. Such a project may utilise Compressed Natural Gas or Micro LNG facilities to deliver energy to remote mining operations and communities in the Northern Territory and/or the North West Queensland minerals province.

Queensland

- **Two (2) year extension to ATP1087 approved by Queensland Government**

The Queensland Government has approved a two year extension to Armour's ATP1087 to December 31st 2018 pursuant to recently announced changes to the Petroleum and Gas (Production and Safety) Act 2004.

Armour welcomes this extension as it supports the foundation for Armour to further explore, appraise and develop this highly prospective tenement in Queensland in a manner that benefits both the State of Queensland and the Company.

- **Egilabria 2 DW1 well clean up and data analysis is continuing**

The aim of Egilabria 2 DW1, drilled during 2013, was to prove the concept that horizontal well technology, together with hydraulic stimulation, can flow hydrocarbons to surface from the Lawn Shale Formation. This aim was achieved and represented a landmark for the Australian oil and gas industry. Subsequently maiden shale gas contingent resources were certified within ATP1087 of 364 BCF (3C); 154 BCF (2C); 33 BCF (1C), as reported as at 16 July 2014.

As previously reported, following the onset of the wet season in November last year the well was closed in with approximately 45% of the stimulation fluids having been recovered. At that point the well was starting to move hydrocarbons to surface from the Lawn Shale Formation in recovered fluids. Since that time Armour has continued to monitor pressure build-up. Fluid and gas samples were also taken and gas flows and flares were observed during that process. Based on the positive results of the gathered data, the Company considers that further clean-up and testing of the well during the coming weeks is warranted.

Armour also advises that analysis of gathered data from the E2 vertical well is indicating that, within the gross Lawn Shale interval (1609m true vertical depth TVD to 1746m TVD), the most gas charged zone is at the top of the interval. This zone appears to be the most brittle and has the highest porosity and is regarded as the most suitable for production. Not surprisingly this also is the stage in the E2 DW1 (at 1623m TVD to 1683m TVD) that was most successfully hydraulically stimulated. It is therefore expected that a majority of any gas flows from E2 DW1 will come from this single hydraulically stimulated stage. These observations have been noted in the recent resource assessment over the area.

Field operations have now recommenced to further clean up the well following observation of initial gas flows and shut in of the well prior to onset of the wet season in late 2013. To accelerate flow back, Armour has installed a progressive cavity pump (PCP). A test separator will also be installed to enable gas flow testing of the well.

Results from the gas flow test are aimed to further support the concept that gas can be produced at commercial rates from the Lawn Shale Formation. So far ATP1087 results have showed world class Total Organic Carbon of up to 11%, high methane, helium and very low CO2 contents and seismically defined deep shale fairways in both the Lawn Shale and Riversleigh Shale.

A Memorandum of Understanding has been signed with MMG Century Pty Ltd ("MMG") to work together towards gas supply arrangements from Armour's exploration tenements in North West Queensland to MMG's Queensland operations, for up to 7 to 9 Petajoules per annum.

Armour continues to investigate other regional market opportunities for gas sales to existing and proposed mining operations, local towns and communities, including power generation facilities. A range of large scale projects are also being evaluated to deliver gas to domestic and overseas markets.

On behalf of the board
Karl Schlobohm
Company Secretary

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Competent Person's Statement

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 as at 16 July 2014. 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.

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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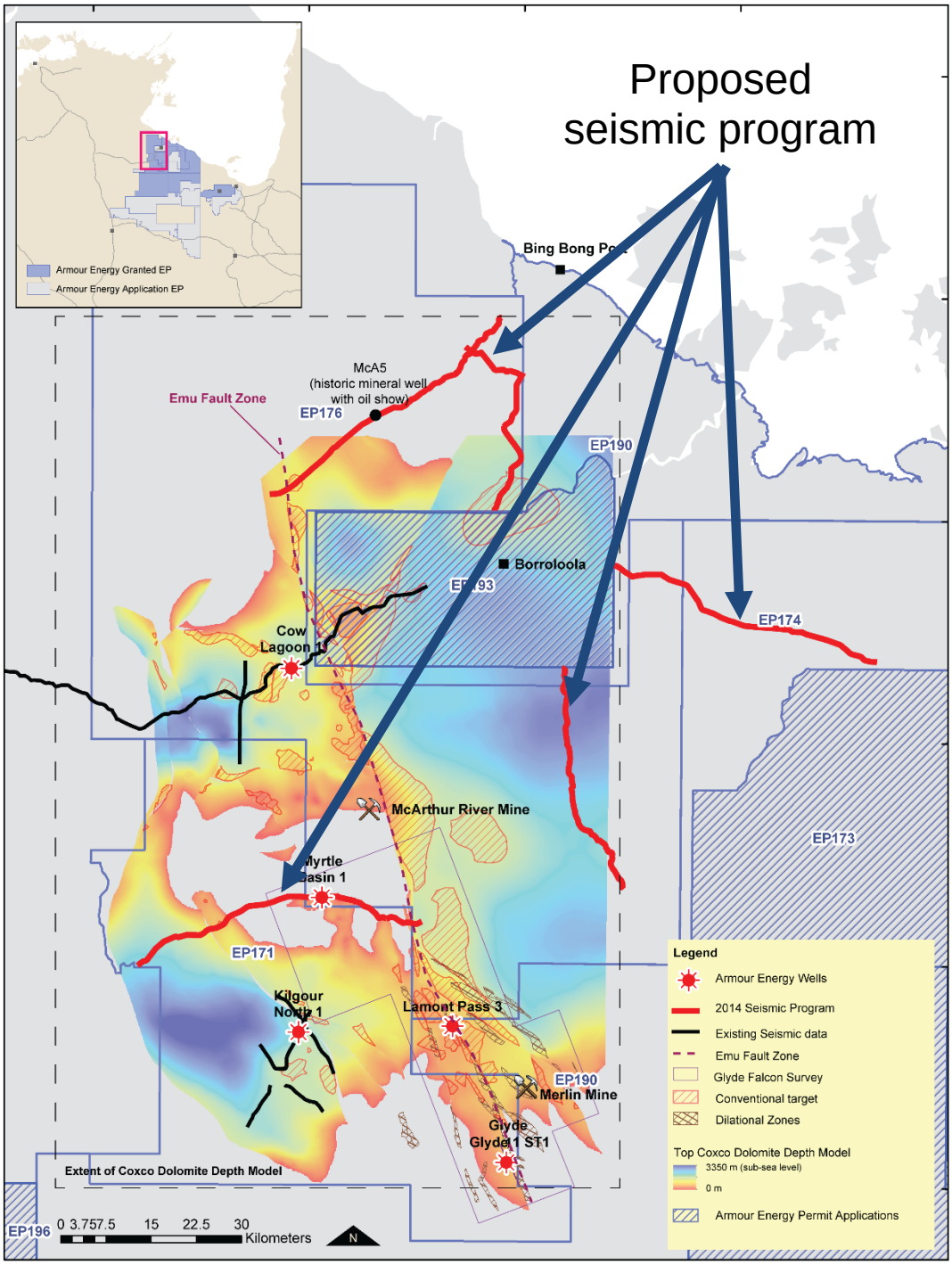

Figure 1: 2014 Northern Territory 2D regional seismic survey program

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