

Armour Energy Limited

13 December 2012

Exploration Permits EP174 and EP190 covering 4.24 Million Acres of the McArthur Basin granted to Armour Energy in the Northern Territory

The Directors of Armour Energy Limited (ASX: AJQ) (the Company) are pleased to advise that the Company has been granted Exploration Permit 174 covering 4,340km² and Exploration Permit 190 covering 12,820km² in the Northern Territory (refer **Figure 1**).

The granting of EP174 and EP190 has doubled Armour Energy's contiguous granted coverage over targeted Proterozoic shale plays in the McArthur Basin from 11,505km² to 28,665km². Additionally, the Company can now fully test and potentially more than double the size of the prospective Glyde Sub-Basin from 500km² to 1300km² within the Batten Trough of the McArthur Basin (refer **Figure 2**). Approximately 105,000km² of tenements under application in Queensland and the Northern Territory remain to be granted.

Ongoing subsurface studies in these newly granted tenements, combined with detailed surface remote sensing projects by AUSMEC Geoscience, confirms that the Glyde Sub-Basin which hosts an extensive thick, organically rich hydrocarbon charged system in the Barney Creek Shale, can be mapped across the Emu Fault to the Foelsche Inlier and then north along its strike towards the Masterton Horst (refer **Figure 2**).

The Glyde Sub-Basin is a high priority target to be investigated by Armour Energy during 2013. The importance of the target is evidenced by the recently reported discovery at the Glyde-1 lateral, which free flowed up to 3.3 MMSCFD from penetration of the Coxco Dolomite, sourced by the surrounding Barney Creek Shale.

A gravity gradiometer, magnetics and digital terrain airborne survey at 400m line spacing will be flown by airborne geophysical contractor Fugro in early January 2013 over a selected 1,240km² portion of the Glyde Sub-Basin with the aim of identifying subsurface structures similar to the Glyde-1 discovery and other high priority targets in the Barney Creek Shale.

Armour Energy believes that this airborne survey, which has been successfully employed to image subsurface structures in onshore and offshore portions of the Canning Basin and which led to recent hydrocarbon discoveries, will allow for a more direct exploration strategy to high grade the area for additional drilling targets, strategically locating 2-D seismic lines and magnetotelluric surveys.

With the granting of the new tenements, three new conventional prospects, namely Catfish Hole, Lamont Pass and Matheson Creek (refer **Figure 2**), can now be fully characterised and added to the growing number of conventional targets that may be explored whilst evaluating the unconventional potential of the Proterozoic Barney Creek Shale Play across the Company's NT tenements.

The Catfish Hole Anticline covers approximately 11km² and was penetrated by the Amoco 82-6 wellbore to 300 metres and discovered oil in the Stretton Sandstone and Yalco Formations. Immediately southwest, the recently identified 11km² double-plunging Lamont Pass Anticline has never been tested. Both structures are in close proximity to the Emu Fault where the Barney Creek Shale can be greater than 900m thick and are on trend with the Greater Coxco Field that reported a discovery of 130.7 BCF of mean prospective resource in October 2012.

The unexplored Matheson Creek Prospect, in EP190, is located on the eastern side of the Emu Fault where the Barney Creek Shale has not been tested. This overturned double-plunging anticline covers 15km², adjacent to the major Calvert Hills Fault and is expected to have a similar stratigraphic section to Cow Lagoon-1, which was drilled in EP176 and reported a 100.3 BCF of mean prospective resource discovery in June 2012.

Upon completion and interpretation of the airborne survey, remote sensing projects, prospect verification and associated reconnaissance field work, Armour Energy expects to resume drilling operations in the NT after completing three vertical and one lateral well in Queensland targeting the Lawn Hill Shale. The Barney Creek and Lawn Hill source rocks are similar in age and total-organic-content. Both are equally proven hydrocarbon bearing shale plays with some indicating liquid rich gas shows during drilling operations.



On behalf of the Board
Karl Schlobohm
Company Secretary

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

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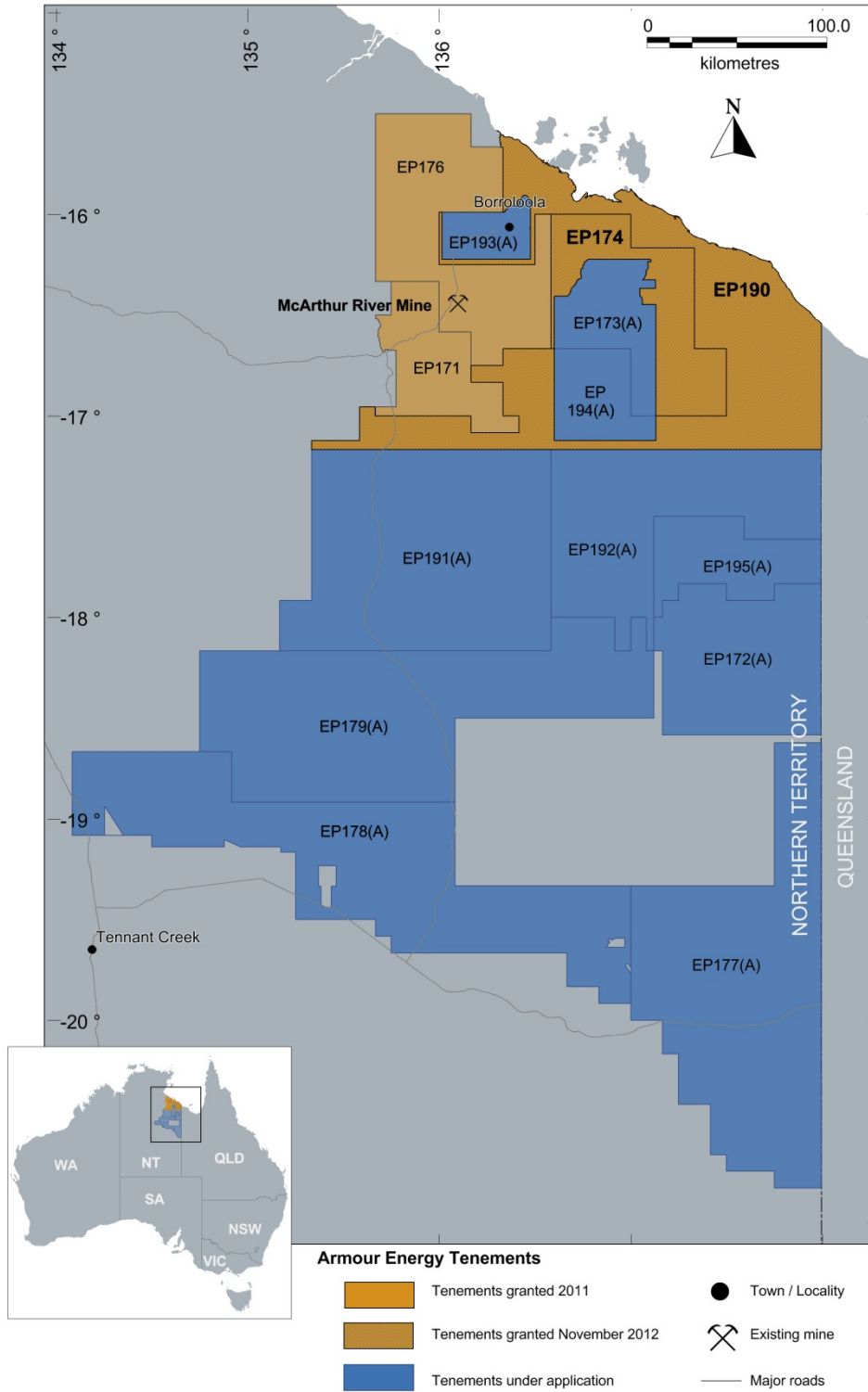


Figure 1 – Armour Energy Northern Territory Tenements

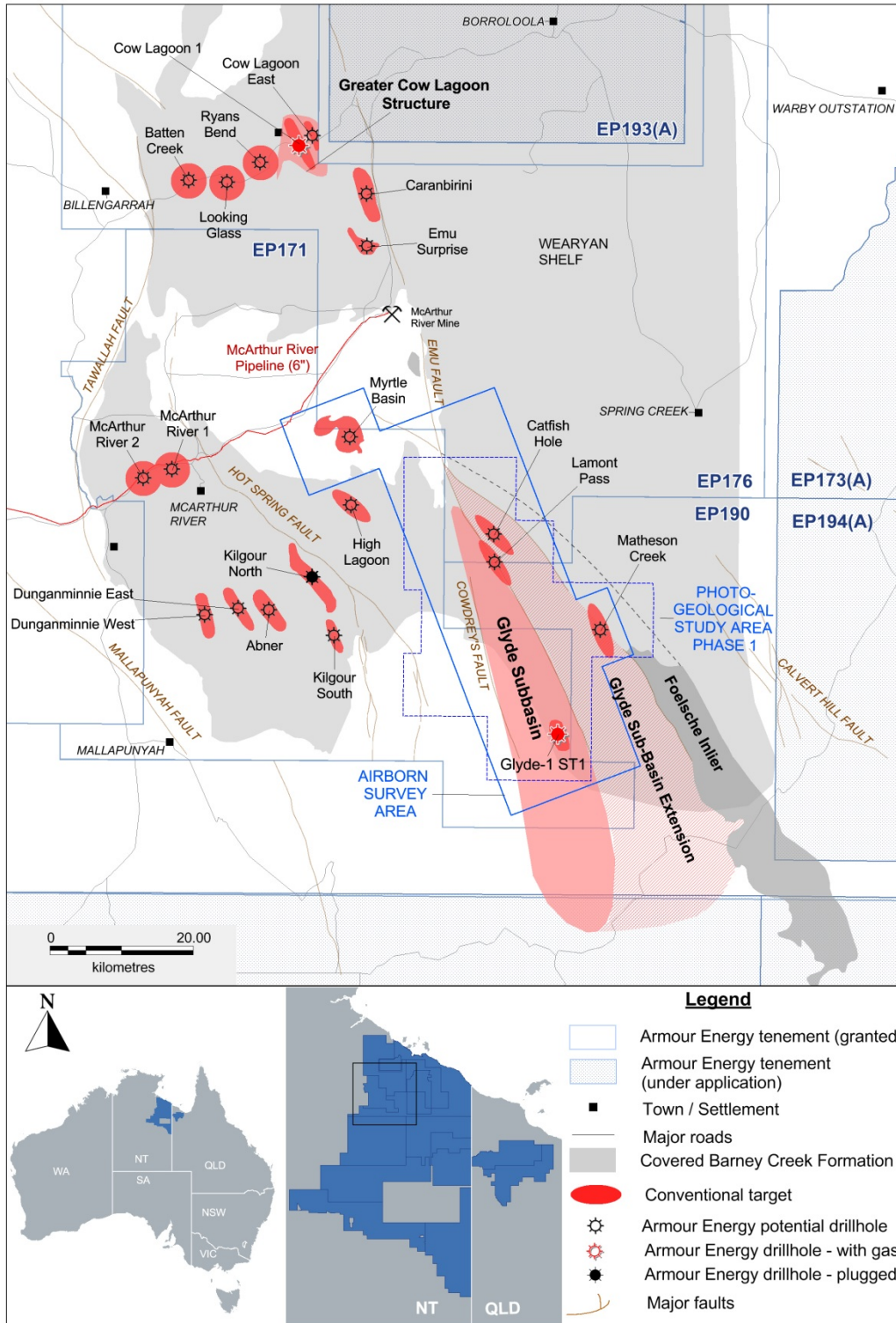


Figure 2 – Conventional Targets