

## Armour Energy Limited

12 February 2013

### 314 PJ of Prospective Resources in the Conventional Targets in Coxco Dolomite, McArthur Basin, Northern Territory

#### Highlights:

- **Conventional 314 Petajoules (PJ) of risked, prospective resources in the Coxco Dolomite, a free-flowing reservoir in the Batten Trough, McArthur Basin, based on eighteen (18) conventional gas prospects.**
- **Further conventional targets under review.**
- **Unconventional 18.7 Trillion Standard Cubic Feet (TCF) of mean prospective resources in several unconventional reservoirs including 100 Billion Standard Cubic Feet (BCF) or 120PJ of mean prospective resources in the Lynott and Reward Formations at the Greater Cow Lagoon Structure and previous MBA Petroleum Consultants Reporting of 18.6TCF of mean prospective resources within the Barney Creek Formation of EP 171 and EP 176.**

The Directors of Armour Energy Limited (ASX: AJQ) (the Company) are pleased to provide an update on the planned 2013 Northern Territory exploration program, including targeted contingent resources and ultimately reserve potential from the newly defined conventional targets in the free-flowing Coxco Dolomite. The location of these tenements is illustrated in Figure 1.

Gas resources (potentially upgradeable to gas reserves) targeted by Armour Energy as part of the Company's 2013 Batten Trough exploration programme comprise both conventional and unconventional accumulations.

#### **Eighteen Conventional Targets Identified with 314PJ Risked, Prospective Resources**

Armour has delineated a series of eighteen (18) conventional gas prospects holding 314PJ of risked, prospective resources in the Coxco Dolomite of the Teena Formation, a conventional, free-flowing reservoir in the Batten Trough, McArthur Basin. These conventional gas accumulations, discovered by Armour in the course of drilling the Glyde 1 ST1 lateral well in August 2012, occur within the porous and permeable dolomites of the Coxco Dolomite.

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 2.

The geology of the Coxco targets has been defined by surface mapping and preliminary data from extensive airborne gravity and magnetic surveys recently completed by the Company over the Glyde and Myrtle Sub Basin regions. Additional targets are likely to be defined following completion of the Fugro interpretation of this gravity, magnetic and geological data and integration with other ongoing and parallel structural studies. Recently, Fugro's techniques were able to assist operators in the Canning Basin to make substantial hydrocarbon discoveries. Like them, Armour anticipates these interpretations will provide additional drilling targets and high-grade areas to strategically locate further 2-D seismic and magnetotelluric surveys.

The targets for the Coxco Dolomite in EPs 171, 176 and 190 within the Batten Trough are located in the Glyde Sub Basin, the Myrtle Sub Basin to the south of McArthur River Mine, and to the north in the Caranbirini area (Figures 3 and 4). These targets are based on further surface geological studies and the extensive geophysical survey (magnetics and gravity) indicating targets with the same geophysical and geological characteristics as the gas accumulation discovered by Armour in the Glyde 1 ST 1 well. This update includes areas previously highlighted with 130BCF of mean prospective conventional resources estimated (now superseded) for the Glyde Sub-Basin based on the Glyde 1 ST1 well.

These conventional targets have an average depth of 1,200 metres and vary in size from 6PJ to 43PJ and combine to a total of 314PJ of risked, prospective resources. Modelling based on the Glyde 1 ST1 flow and buildup test data indicates these targets should be free flowing and the prospective resources for each target are listed in the attached table in Figure 5.

Based on realistic risking applied for discovery and development, drilling of 21 wells across these targets has the potential to generate a 2C Contingent Resource of 314PJ of gas. This outcome would double the previously announced mean prospective resource of 130BCF (156PJ) for the Glyde Sub Basin in the southern Batten Trough, containing the Glyde 1 ST1 discovery well. A feasibility study will be undertaken to confirm the viability of and market for produced gas, in order to complete conditions precedent of a potential contract to convert this to 314PJ to 2P Reserves.

Armour continues to investigate numerous market opportunities in the area.

Armour is currently preparing to intensify its programme in the Batten Trough with the aim of defining reserves quickly. Armour is presently assessing existing seismic 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. In addition, Armour plans to identify additional conventional gas targets to the east and north within the Batten Trough in the recently granted EP 174 and EP 190 permits, where similar geological structures and petroleum source rocks exist. Further analyses and additional geophysical surveys will follow the results of exploration drilling at Caranbirini, Cat Fish Hole and Myrtle Sub Basin and are 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 focus on its extensive unconventional naturally-fractured and shale gas accumulations in the Batten Trough with a current mean prospective resource of 18.7TCF 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 100.4BCF (120PJ), 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 3).

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 18.6TCF in the Barney Creek Shale within EP 171 and EP 176. A P90 (or 90% probability level) of 3.6TCF 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.



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 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.

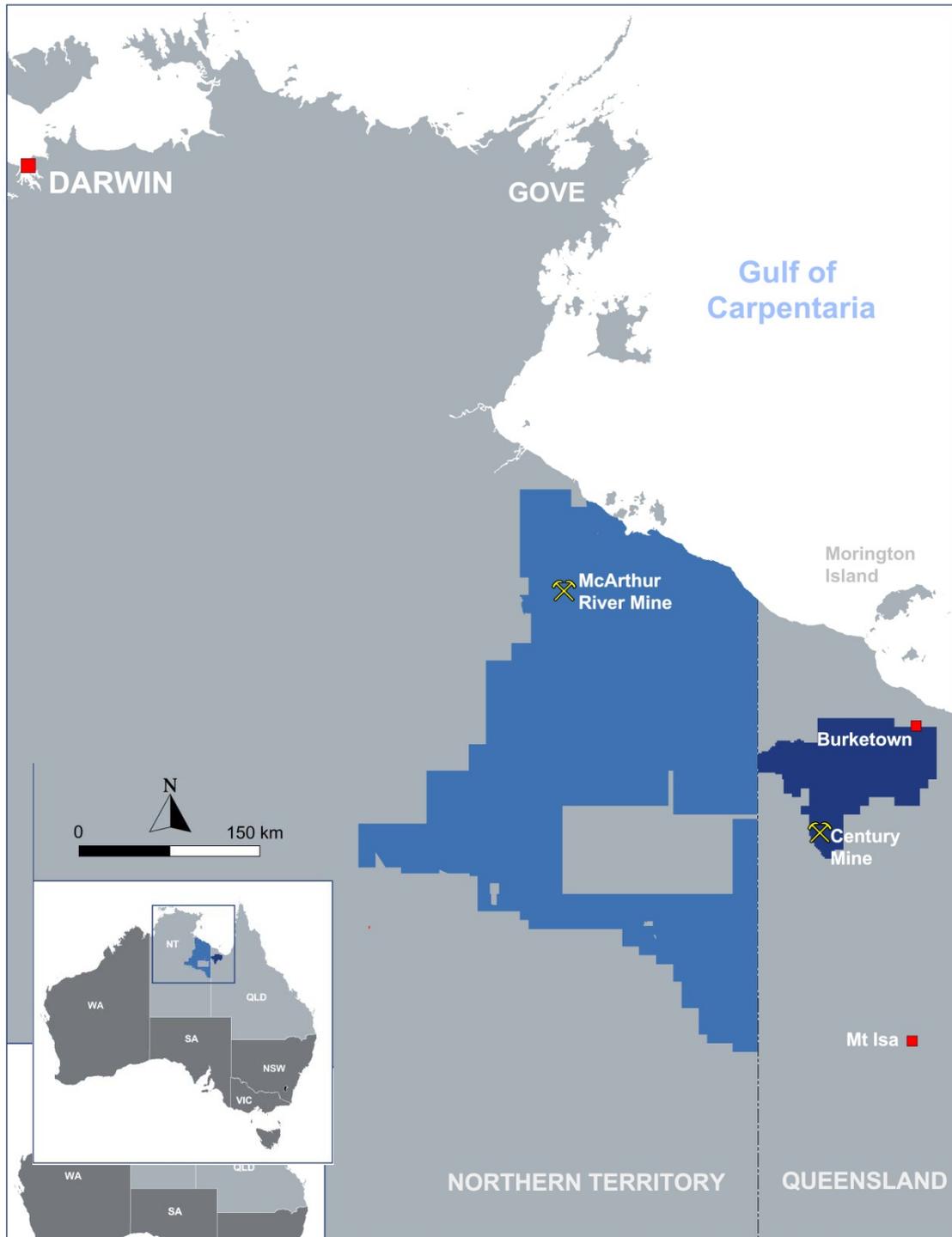
Further information regarding Armour Energy Limited, its projects, management team and a copy of its Prospectus are available on the Company's website at [www.armourenergy.com.au](http://www.armourenergy.com.au)

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**Figure 1: Location of Armour Energy projects in Northern Territory**



**Figure 2: Stratigraphic Section in the Batten Trough**

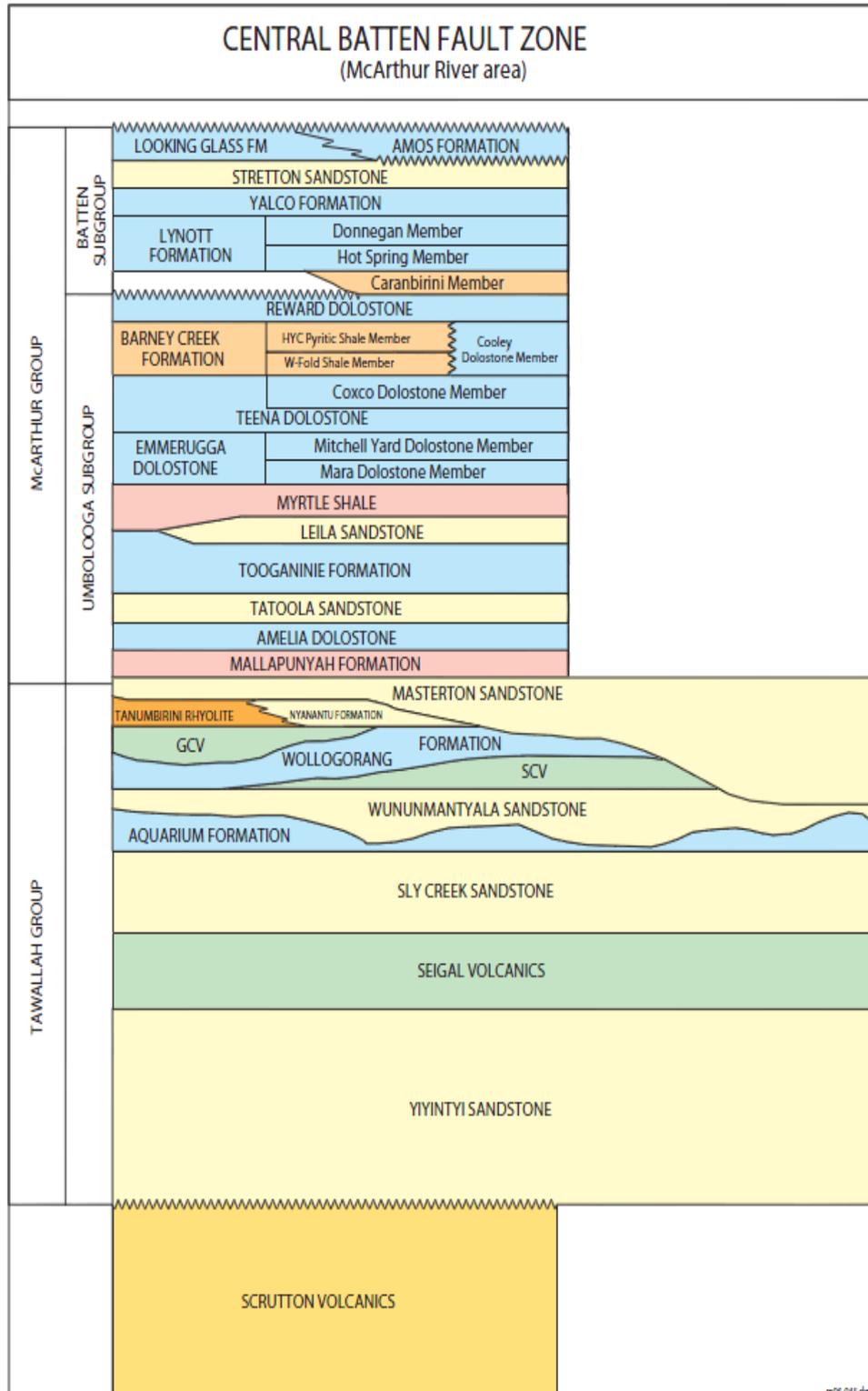


Figure 3: Conventional and Unconventional Gas Targets in the Batten Trough

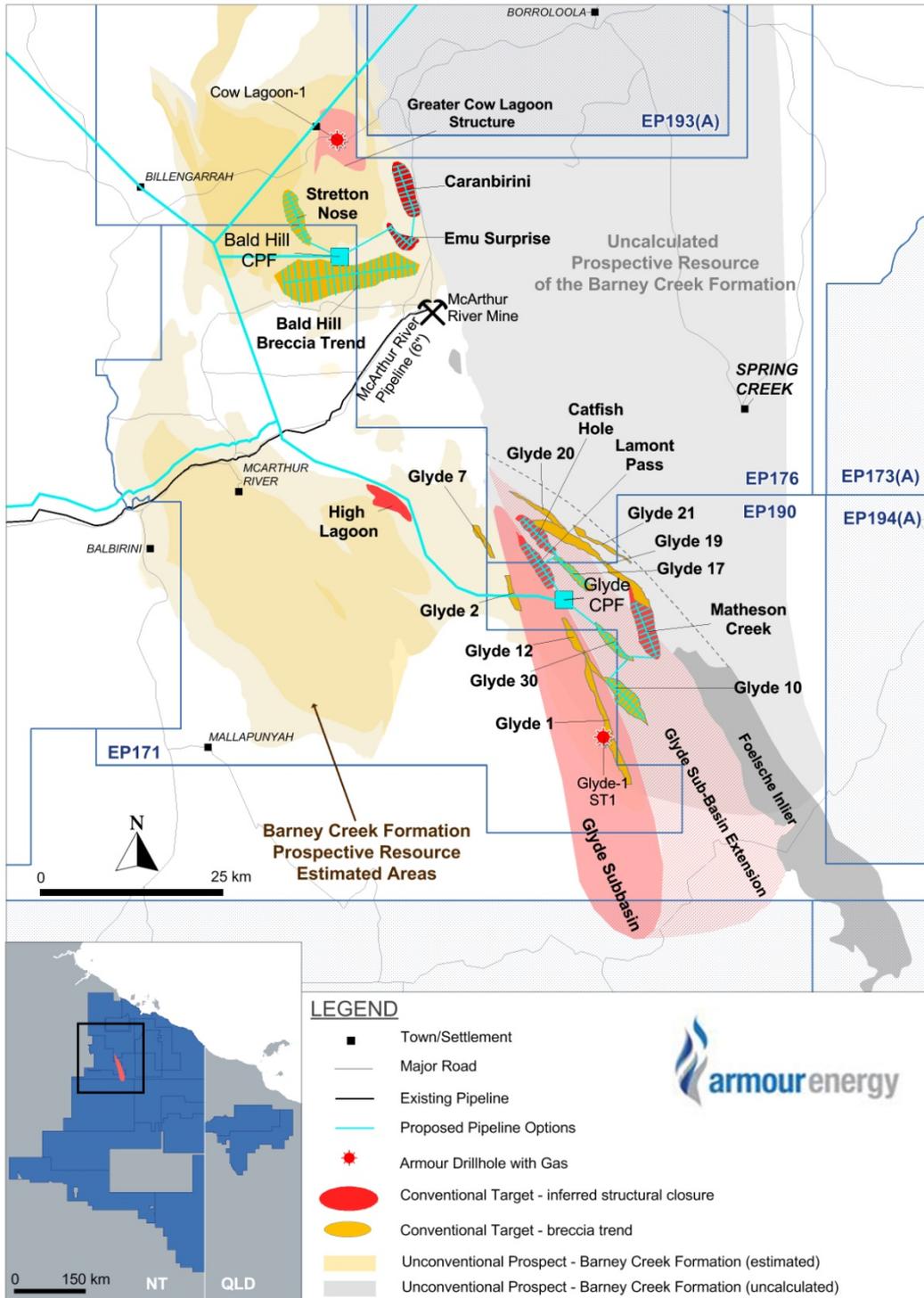
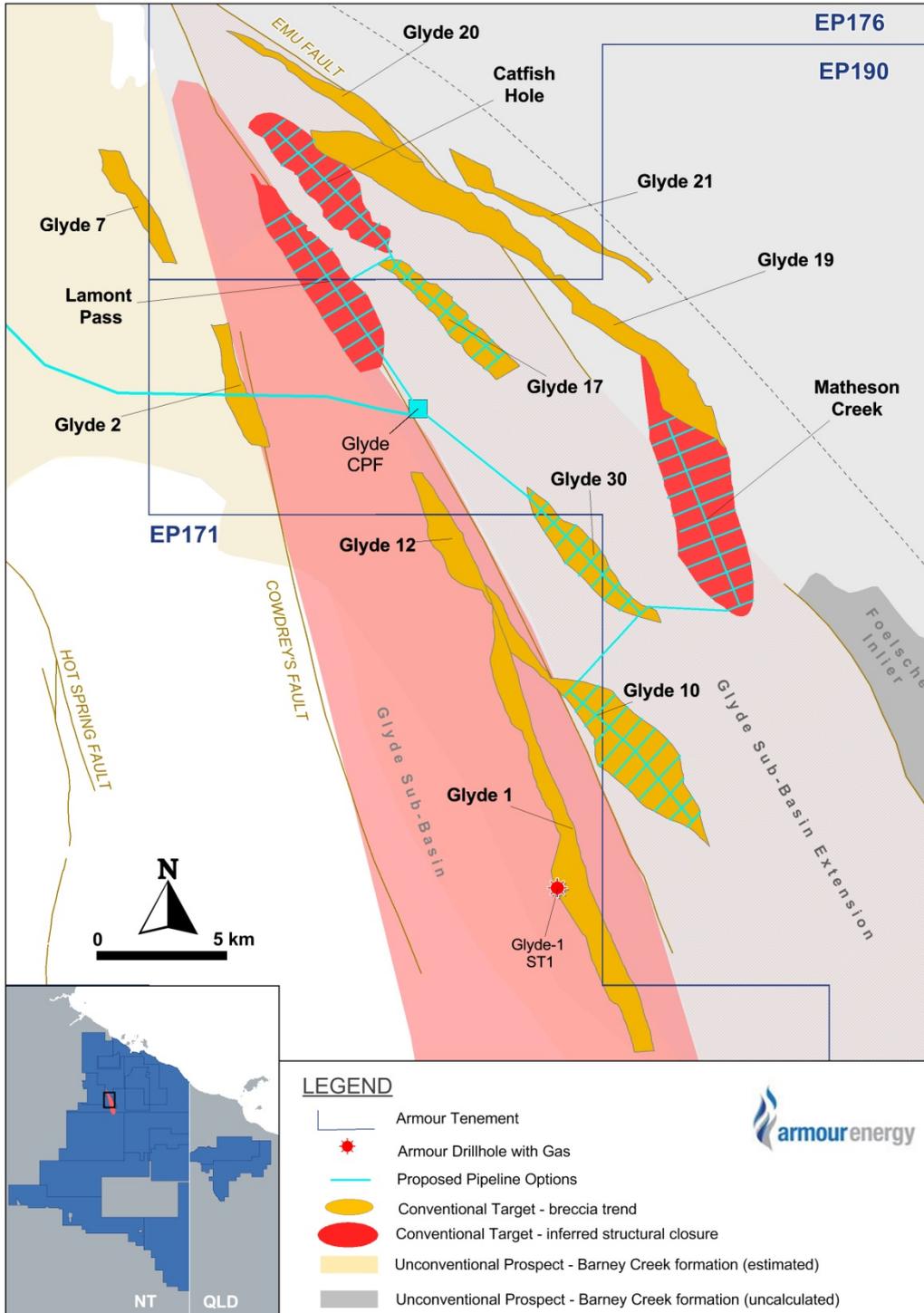


Figure 4: Conventional Gas Targets in the Glyde Sub Basin



**Figure 5: Conventional Coxco Resource / Reserve Targets in the Batten Trough**

PROSPECT NAME	AREA (km <sup>2</sup> )	TOP REWARD (m)	TOP BARNEY CREEK (m)	TOP COXCO (m)	RESOURCE VOLUME (Bcf)	RESOURCE VOLUME (PJ)	ESTIMATED COMPLETED VERTICAL WELL COST \$M	APPRAISAL PRIORITY
Glyde 19	20.15	1056	1206	1660	35.7	43.5	1.9	1
Bald Hills Breccia Trend 1	76.6	630	780	1220	30.8	37.6	1.6	2
Glyde 10	15.66	790	930	1080	18.3	22.3	1.5	3
Catfish Hole 1	11	956	1106	1560	18.5	22.6	1.8	4
Stretton Nose 1	14.9	815	965	1140	18.5	22.6	1.8	5
Lamont Pass 1	11	690	840	1280	15.3	18.7	1.7	6
Glyde 17	5.79	956	1106	1560	14.8	18.1	1.8	7
High Lagoon 1	11	630	780	1220	14.6	17.8	1.6	8
Glyde 20	4.07	1156	1306	1760	11.5	14.1	2	9
Glyde 30	6.28	790	930	1080	11.2	13.7	1.5	10
Glyde 21	3.79	1256	1406	1860	11.2	13.7	1.9	11
Emu Surprise 1	11	360	510	950	11.2	13.7	1.5	12
Glyde 12	4.69	630	780	1220	9.5	11.6	1.6	13
Caranbirini 1	16.1	230	400	575	8.7	10.6	1.2	14
Matheson Creek 1	11	70	220	660	7.2	8.8	1.3	15
Glyde 2	3.7	540	690	1130	6.9	8.5	1.5	16
Glyde 7	3.45	540	690	1130	6.5	8.0	1.5	17
Glyde 1	15.07	NA	50	500	6.6	8.1	1.2	18
TOTAL					257	314	28.9	