



Armour Energy Limited

23 December 2013

Farmin Rights Exercised – PRL2 Victoria

- **Rights exercised to farmin to PRL2 in onshore Gippsland Basin, Victoria.**
- **Farmin work program currently suspended due to Victorian moratorium on hydraulic fracturing.**
- **Discussions have been sought with Lakes Oil NL to revise Farmin Agreement terms.**

The Directors of Armour Energy Limited (ASX: AJQ) (the Company) wish to advise that the Company has exercised a right to farmin to Petroleum Retention Lease 2 in Victoria (PRL2), held by Lakes Oil NL (ASX: LKO).

The farmin agreement will give Armour Energy the right to obtain up to a 50% working interest in the highly prospective PRL2 as part of a two stage farmin program. Armour Energy may withdraw from the agreement without cost.

PRL2, located in the onshore Gippsland Basin in Victoria, is considered prospective for both tight and conventional gas accumulations and is in close proximity to existing infrastructure and markets (Figure 1). PRL2 covers several tight conventional reservoirs in the Strzelecki Formation of the Gippsland Basin, onshore in Victoria. The southern half of PRL2 is considered by Armour Energy to be geologically very similar to the highly productive offshore section of the Gippsland Basin.

Numerous wells have been drilled within PRL2 by Lakes Oil in the past and have encountered gas and/or oil. Successful stimulation of the reservoir in vertical drill holes in the Wombat Field, within PRL2, has led to several encouraging flow tests in 2009 and 2010.

Armour Energy holds the view that the presence of gas-bearing columns in excess of 500 metres thick across seven targeted structures in the Strzelecki Formation indicates potential for early definition of commercial reserves of gas. At the Wombat Field alone, four wells have been drilled and 3C Resources of 628 Bcf of gas (2C 329Bcf) were reported by Lakes Oil in 2010.

Armour Energy's right to farmin to PRL2 arose following the withdrawal (announced by Lakes Oil in August 2013) of Beach Energy Limited ("Beach") and Somerton Energy Limited from their Farmin Agreement with Lakes Oil relating to PRL2 ("Beach Agreement"). Pursuant to a separate agreement between Armour Energy and Lakes Oil dated 2 December 2011, Armour Energy had the right to match the Beach Agreement in the event of a withdrawal by Beach.

Having exercised this right, Armour Energy:

- is now Operator of PRL2;
- has an immediate, initial 15% working interest in PRL2, subject to using its best endeavours to undertake a \$10m work program within 12 months (“Phase 1 Program”);
- can earn an additional 35% working interest (giving a total working interest of 50%), subject to making an election to do so within 2 years and then undertaking a further \$40m work program over an indefinite time period; and
- may withdraw from the agreement provided it transfers its 15% working interest in PRL2 back to Lakes Oil and resigns as Operator.

Due to a moratorium on hydraulic fracturing in Victoria, the Phase 1 Program and Armour Energy’s right to carry it out are currently suspended. Armour Energy has however sought to engage in discussions with Lakes Oil to revise the terms of the farmin agreement and work program with a view to accelerating commercialisation of the hydrocarbon resources of PRL2.

Subject to permitting, Armour Energy as Operator of the PRL2 Joint Venture intends to drill the unstimulated Wombat 5 lateral well to confirm the natural productivity of the porous and permeable upper section of the Strzelecki Formation.

Armour Energy is Lakes Oil’s largest shareholder holding approximately 19.9% of the issued share capital, which together with converting notes also held by Armour Energy (as well as those held by other parties) amounts to a fully diluted ownership interest of approximately 18.9%. Armour Energy has also earned 51% ownership, and is Operator of, PEP169 and 25% ownership of PEP166 in Victoria, also held by Lakes Oil.

As previously announced, Armour Energy and Lakes Oil intend to drill the vertical exploration well Otway 1 in PEP169 in the first half of 2014 for which land access has been secured and planning and approvals processes are well advanced.



On behalf of the board
Karl Schlobohm
Company Secretary

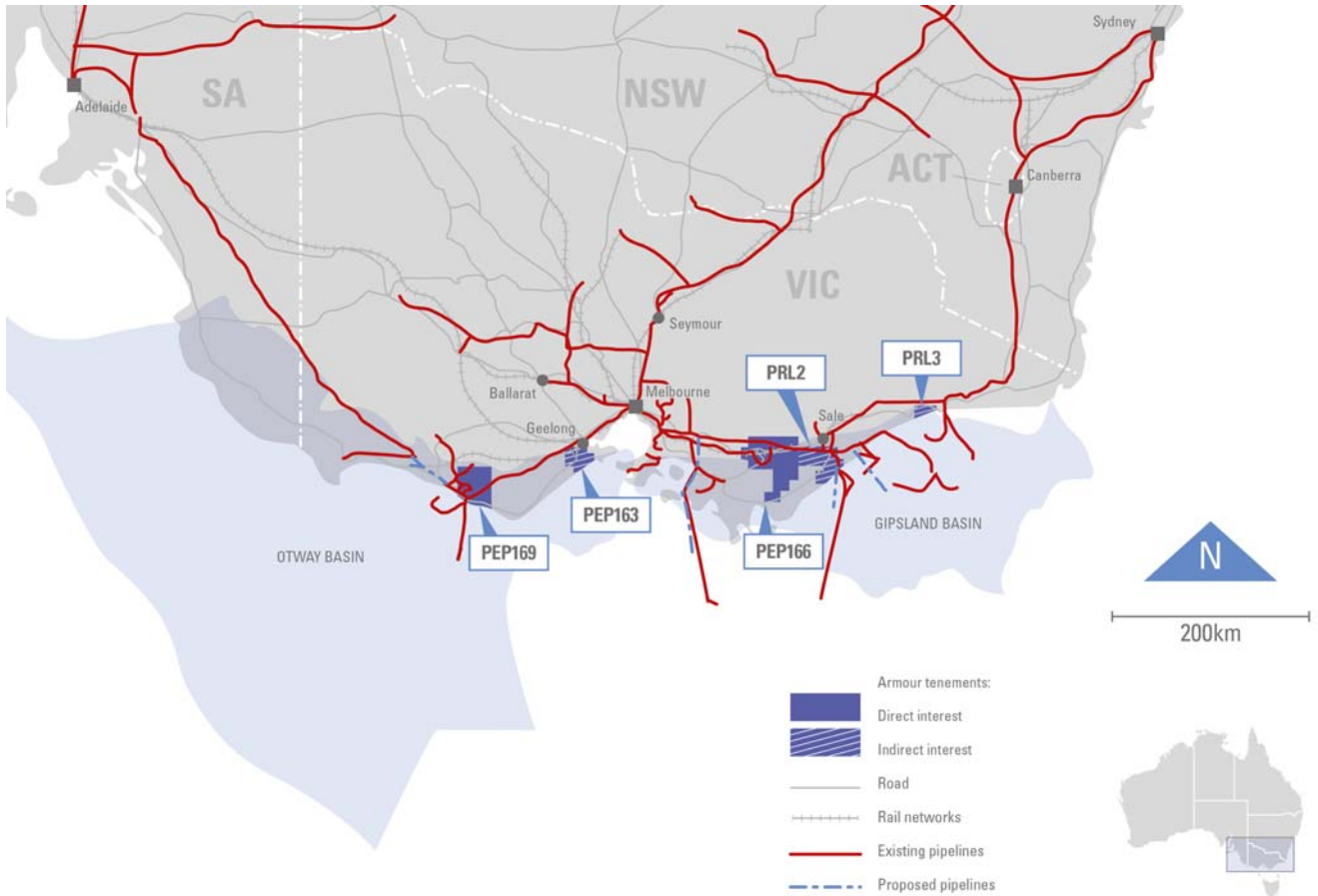


Figure 1 – Map of Armour Energy’s interests in Victorian tenements (direct and indirect).



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.

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 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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