

Armour Energy Limited

1 July 2013

Well Update

Egilabria 2 Well Yields Gas Shows and Flare

HIGHLIGHTS

- **Strong gas shows and flare in Egilabria 2 at 1097 metres**
- **Current depth 1330 metres with background gas**
- **Main Lawn Shale target zone prognosed at 1640 to 1765 metres**
- **Percussion Drilling on air produces fast penetration rates up to 45 metres / hour**

The Directors of Armour Energy are pleased to provide a progress report on the Egilabria 2 well in ATP 1087 south west of Burketown and 350 km north of Mt Isa in northern Queensland (see Figure 1, location map and pipeline / market infrastructure). 9 5/8 inch diameter casing was successfully set at a depth of 735 metres. The well has since that point been drilling ahead at faster than predicted rates using compressed air and 8 3/4 inch percussion bits and has averaged approximately 15 metres per hour including time for bit changes. The well was at a depth of 1330 metres at 8.00 am on Monday 1 July, 2013.

The Egilabria 2 well is being drilled by Armour Energy as operator and 100% owner of the project area. The project covers ATP 1087 and the adjacent ATP 1107 for which Armour is the preferred tenderer. The area covers four successive sedimentary basins, namely the Isa Super Basin, South Nicholson Basin, part of the Georgina Basin and overlying Carpentaria Basin (Figure 2 Basin Schematic). A prospective recoverable resource of 22 TCF (Trillion Cubic Feet) of gas within the Lawn Shale and within ATP 1087 was certified by Armour's independent experts and further targets of up to 18 TCF were defined by Armour within the underlying Riversleigh Shale and in conventional targets in the Carpentaria Basin.

At Armour's Egilabria 2 well, while drilling ahead at a rate of 45 m/hr on air late on Friday afternoon, a gas zone was penetrated in the Doomadgee Supersequence in the Isa Superbasin at 1097 meters. Immediate gas to surface produced an 8-meter long flare from a peak gas show of 1417 units (238,400 ppm or approximately 23.8%) (See Figure 3, photo of flare). The gas was predominately methane with traces of ethane, propane, helium and negligible carbon dioxide. Gas log readings for Egilabria 2 were showing less than 1 unit of background gas before the gas flare. In the nearby Egilabria 1 well (drilled by Comalco in 1991) an increase in background gas to just 16 units (3000 ppm or approximately 0.3%) accompanied the intersection of the same gas bearing rock unit.

At the current depth of 1330 metres in Egilabria 2, gas log readings have begun to increase again from background to 10 units as did the gas log in the nearby historic Egilabria 1 well between this depth and the top of the Lawn Shale.

Significantly improved gas response is evident in air drilling in the area compared to mud drilling. The presence of significant levels of background gas in several intervals of the Isa Superbasin and South Nicholson Basin sequences above the reported flared show at 1097 metres and the potential of overpressure in the South Nicholson and Isa Superbasins are considered by Armour to be favourable factors for future gas production.

The main currently recognised prospective unit in the Isa Superbasin, the Lawn Shale, was intersected by Comalco during the drilling of Egilabria 1 in 1991. Egilabria 1 is located approximately 500 meters southwest from Armour's Egilabria 2 well. Egilabria 1 was drilled with mud which suppressed gas shows to varying degrees. Gas shows in Egilabria 1 were still evident in zones from 1300 metres down to the Lawn Shale where an 8% gas show persisted from 1640 metres to the base of the formation at 1760 metres. The mud weight in that well was increased and further suppressed the gas shows.

Armour is planning to drill the Lawn Shale on air with the 8 ¾ percussion bit to a total depth of 1800 metres in order to test the flow and reservoir characteristics of the 125 metre thick Lawn Shale which yielded 8% gas during mud drilling operations in 1991 in Egilabria 1. Armour intends to collect a full suite of logs, and a number of side wall cores, and perform any testing operations prior to sidetrack drilling the Egilabria 2 DW1 lateral well.

Armour recently entered a heads of agreement with APA Group to work towards the pipeline transmission of up to 330 Peta Joules a year of gas from the South Nicholson – Isa Superbasin Project area to potential Sydney and Eastern Queensland gas markets using existing and future pipelines by early 2016.



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.

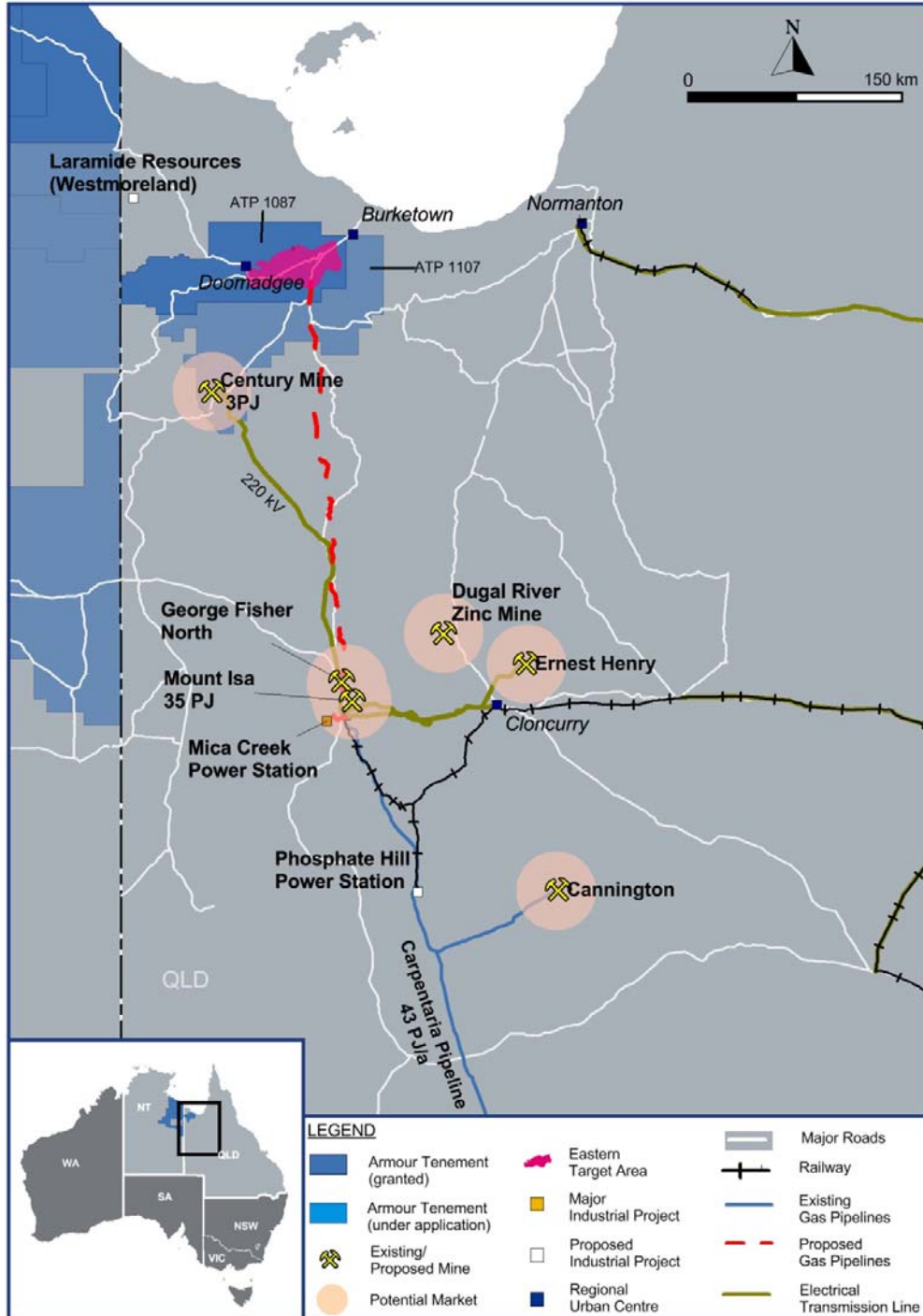


Figure 1 - Location map and pipeline / market infrastructure, ATP 1087 North Queensland

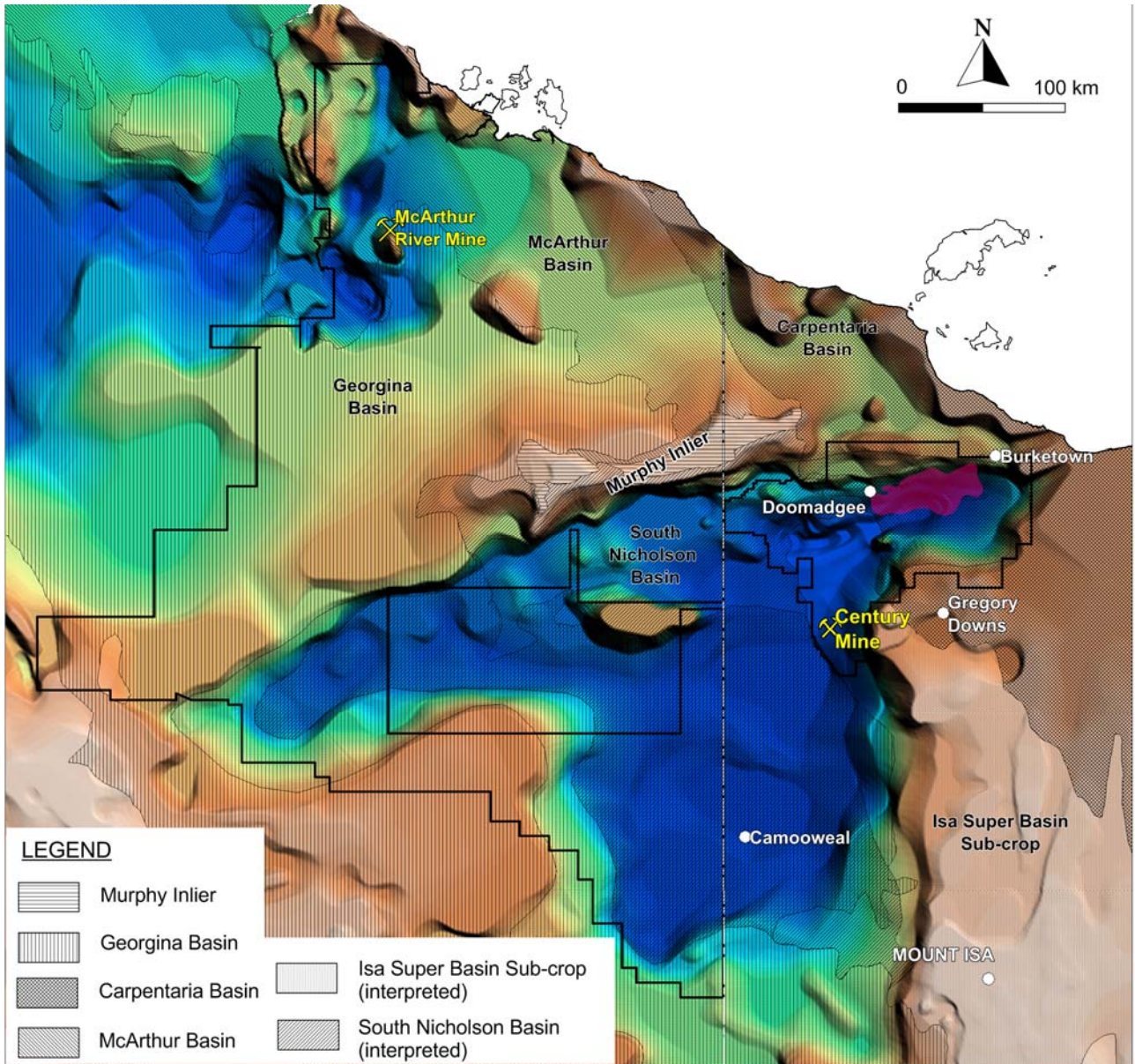


Figure 2 - Basin Schematic



Figure 3 - Eight metre long burning gas flare from gas show at 1098 metres in Armours Egilabria 2 well, ATP 1087 North Queensland.

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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