

Armour Energy Limited

21 June 2013

Egilabria 2 Vertical Well Update

Intermediate casing being set at 745 metres depth

The Board of Directors of Armour Energy Ltd (ASX: AJQ, the Company) advises on progress with the drilling of the Egilabria 2 vertical well in the Company's 100% owned tenement (ATP 1087) in Queensland.

As previously reported on 24th May, the first well stage was drilled to a depth of 322 metres and a 13-3/8" casing was then set and successfully cemented at the base of the Mesozoic sediments of the Carpentaria Basin. The well is located as shown in Figure 1.

As previously reported on 6th June drilling of the well had progressed to a depth of 545 metres and was progressing through the South Nicholson Group of the Isa Superbasin.

Air hammer drilling with diamond impregnated bits was planned from 545 metres to a planned casing point at 785 metres but this was not possible due to water ingress into the well.

The well has now been drilled to a depth of 745 metres using rotary mud drilling in very hard conditions. An intermediate 9 5/8" diameter casing is now being run and set to a depth of 743 metres. This will isolate existing water zones in the well and allow air hammer drilling to continue with 8 3/4" diamond impregnated bits.

First gas was detected in the well at 425 metres while running into the well, and again at 502 metres, with peaks of 900 units (approximately 18%) of gas. An average background gas level of 25 units was detected while drilling on mud from 502 metres to 545 metres. As previously stated, this indicates that the South Nicholson Group has capacity to store hydrocarbons in tight sandstone reservoirs that are likely fractured. The sands also have water associated with the gas at this location. This water will be isolated by 9 5/8" casing between 322 and 743 metres.

While drilling on mud through interbedded sandstone and siltstone from 550 metres to 635 metres of the South Nicholson Group the background gas averaged 120 units (2.4%) of predominantly methane with peaks up to 200 units. After increasing the mud weight at 635 metres, the background gas readings reduced to 20 units as a result of the higher mud pressure and gradually increased to 70 units at the intermediate casing depth of 743 metres. A gas peak of 591 units while running into the hole was observed at 699 metres of predominantly methane with 2348 ppm helium.

Mud gas readings variability is interpreted to indicate gas in the tight sandstone formations of the sediment package.

From 743 metres air hammer drilling will continue to the targeted total depth of 1850 metres to evaluate the strong gas shows of up to 8% gas in drilling mud from the 125 metre thick Lawn Hill Formation during drilling of the Egilabria 1 well by Comalco in 1992.

The Egilabria 2 DW1 lateral well will then be drilled from the Egilabria 2 vertical well to a measured depth of 2200 metres at 1750 metres total vertical depth. This will establish a sub horizontal lateral section targeting 504 metres of intersection within the Lawn Hill Formation (see Figure 2). This lateral section will then be completed with casing and swelling packers to establish six isolated stimulation zones.

Halliburton Energy Services has been contracted to carry out a six stage hydraulic stimulation of the Egilabria 2 DW1 well to test the shale gas production potential of the Lawn Hill Formation. Halliburton is a proven service provider in other Australian shale plays. The planned hydraulic stimulation of the Egilabria 2 DW1 lateral well is designed to attempt to prove commercial gas flows. Success would be a key milestone in the Company's plans to define proven and probable reserves in ATP 1087.

Armour Energy and its independent expert consultants believe the Lawn Hill Formation contains a prospective recoverable resource of 22 TCF (Trillion Cubic Feet) of gas. The Company believes this provides potential to define up to 9 TCF of resources and reserves over the next three years. 9 TCF is sufficient gas resource, subject to reserves definition, to support 6 million tonnes per annum of LNG production for more than 20 years.



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.

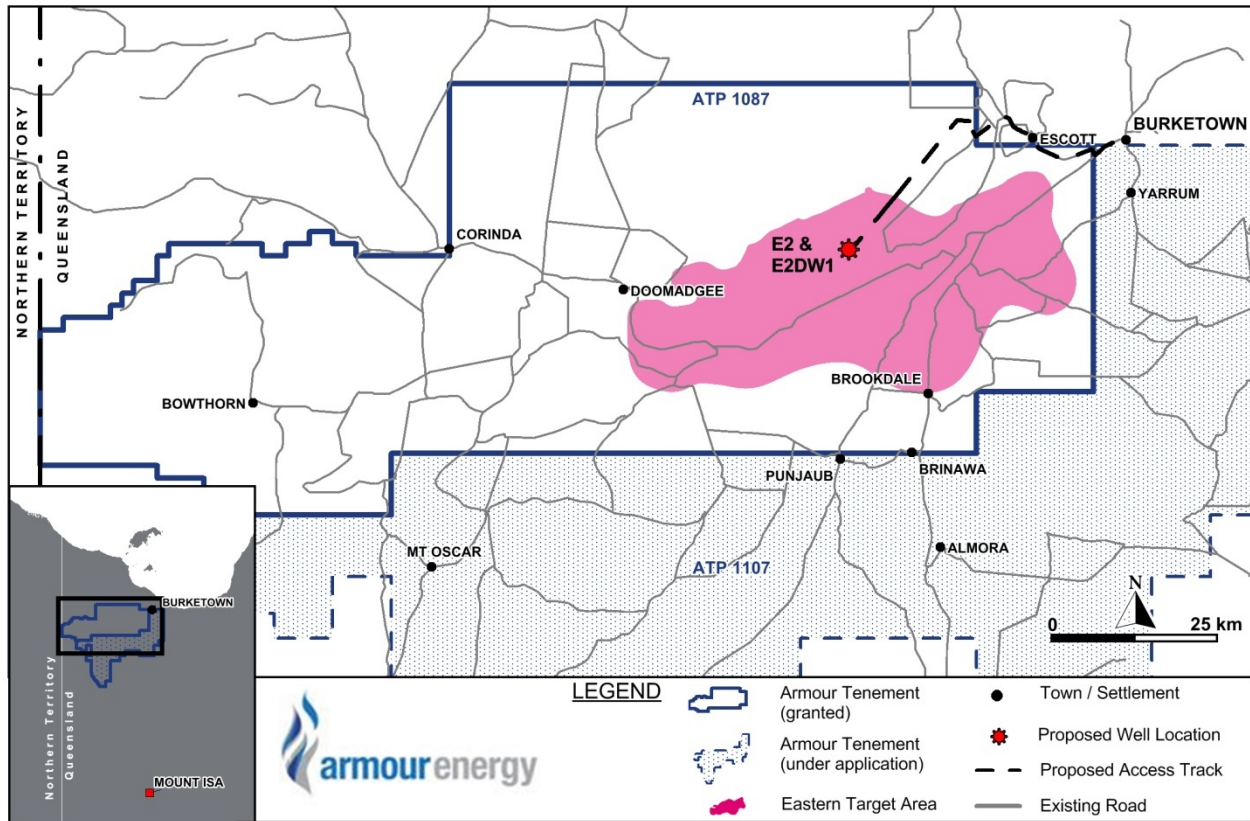


Figure 1: Location of Egilabria 2 well site within ATP 1087, Queensland.

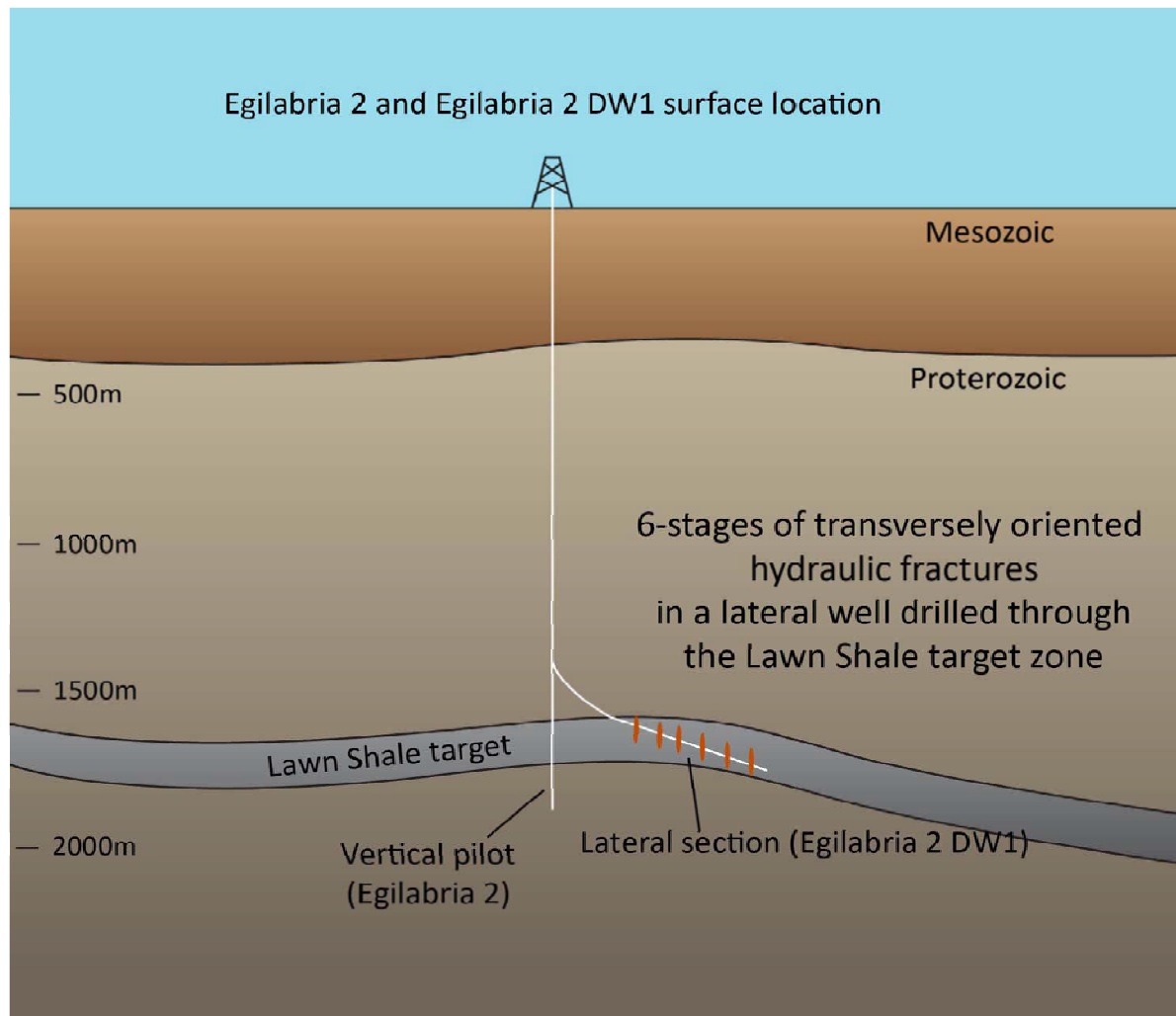


Figure 2: Proposed Well Schematic – Egilabria 2 and Egilabria 2 DW1 Wells



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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