

Armour Energy Limited

16 September 2013

Northern Territory Drilling Campaign Commenced

Myrtle Basin 1 Vertical Well Spudded

The Directors of Armour Energy Ltd (ASX: AJQ) are pleased to advise that the 2013 Northern Territory drilling campaign has commenced with spudding of the Myrtle Basin 1 well on 13 September 2013 in the Company's 100% owned EP176. The well is currently at 152m depth after drilling with an air hammer achieved penetration rates of between 30 and 40 meters per hour. In the next 24 hours, Armour Energy will run casing, cement in place and recommence drilling.

The 2-3 well exploration program is as follows:

1. Myrtle Basin 1;
2. Lamont Pass 3; and
3. Optional: Caranbirini 1

The Northern Territory campaign has been designed to further evaluate:

1. Conventional gas accumulations within the Coxco Dolomite to potentially convert up to 264 BCF of Mean Prospective Resources to Contingent Resources from 23 identified prospects; and
2. The unconventional potential of the Barney Creek Shale Formation.

Coxco Dolomite Unconventional Prospects

In April 2013, Armour Energy announced unrisks Mean Prospective Resources of 264.4 BCF relating to twenty-three (23) targeted areas in the Coxco Dolomite of the Teena Formation, a conventional, free-flowing reservoir in the Batten Trough, McArthur Basin. This type of conventional gas accumulation was discovered by Armour in the course of drilling the Glyde 1 ST1 lateral well in August 2012 (which flowed 3.3 mcf/d) and occurs within the porous and permeable dolomites and breccias of the Coxco Dolomite.

Barney Creek Shale Formation

As with the Cow Lagoon 1, Glyde 1 and Glyde 1 ST1 wells, Armour continues to gather extensive data to further substantiate the unconventional resource potential of the Barney Creek Shale Formation. Several studies are underway that will aid further targeting of a future lateral well with hydraulic stimulation in the Barney Creek Shale Formation.

The gas discovery at the Glyde 1 vertical well drilled in August 2012 substantiated MBA Petroleum Consultants' estimate of Mean Prospective Resources of 18.6 TCF in the Barney Creek Shale within EP 171 and EP 176.

Myrtle Basin 1 Vertical Well

The Myrtle Basin 1 vertical well will be drilled to a planned depth of 800 m and is located approximately 17 km south-west of the McArthur River Mine and approximately 5km southeast of the McArthur River Pipeline (see Figure 1). The Myrtle Basin 1 location is designed to evaluate shallow hydrocarbon accumulations in the Barney Creek Shale and Coxco Dolomite that are similar in depth to the Glyde 1 & Glyde 1 ST1 (600 meters) gas discovery locations. Shallow mineral holes in the area have reported oil bleeding from core and gas to surface.

Armour Energy has recently identified two structures in the basin and a number of well locations have been proposed based on the January 2013 gravity survey and third party hydrocarbon studies (see Figure 2). Myrtle Basin 1 will be testing a positive structure that has an in-house prospective technically recoverable resource of 4.4 BCF. A similar structure immediately south has also been mapped and contains up to 6.8 BCF of prospective resource.

Armour Energy has contracted a multipurpose drill rig which is self-driven allowing it to be very mobile in remote areas without needing additional support vehicles for rig moves. Costs are substantially lower than bigger deeper drilling petroleum rigs.



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.

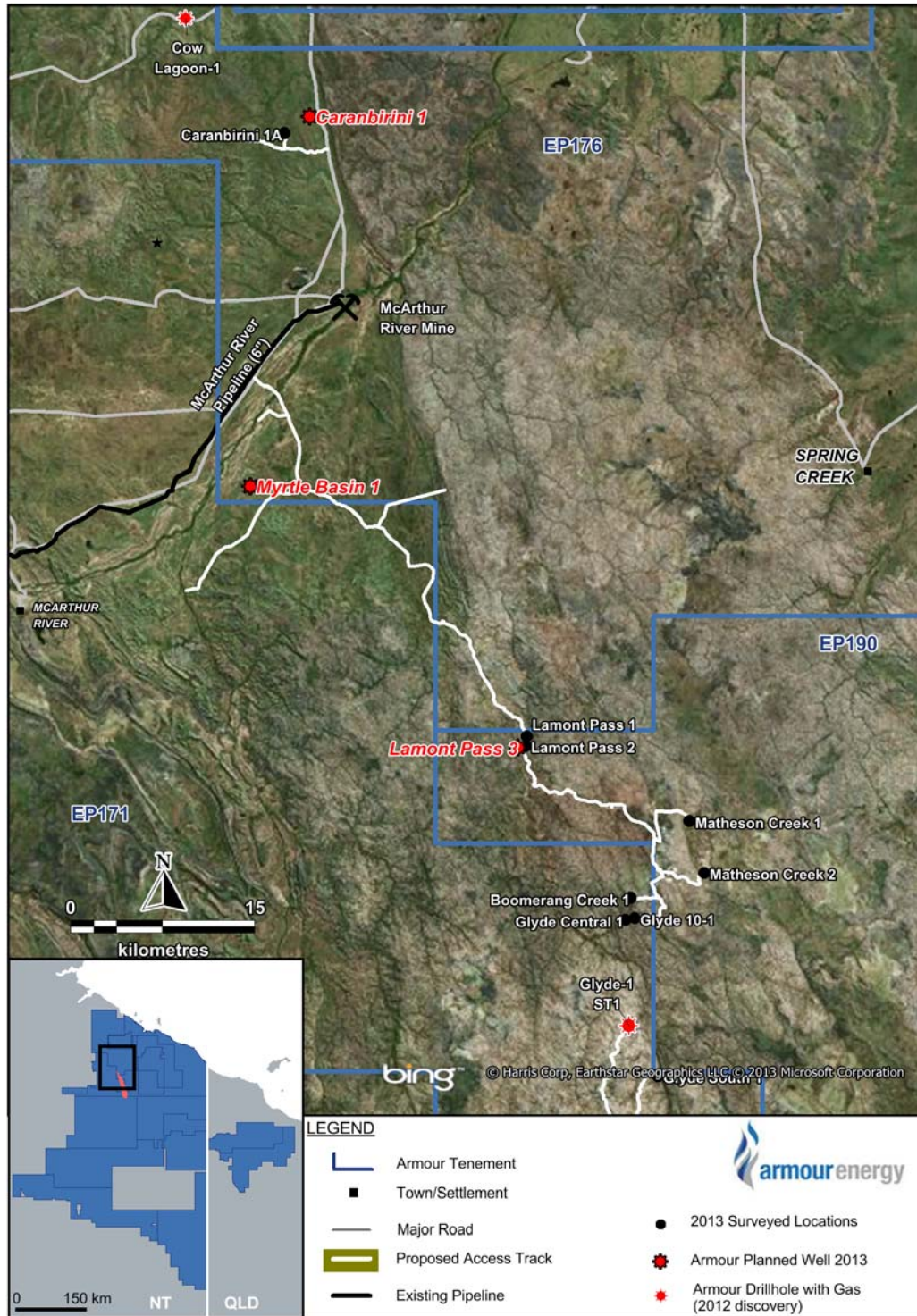


Figure 1: 2013 Northern Territory drilling campaign well locations

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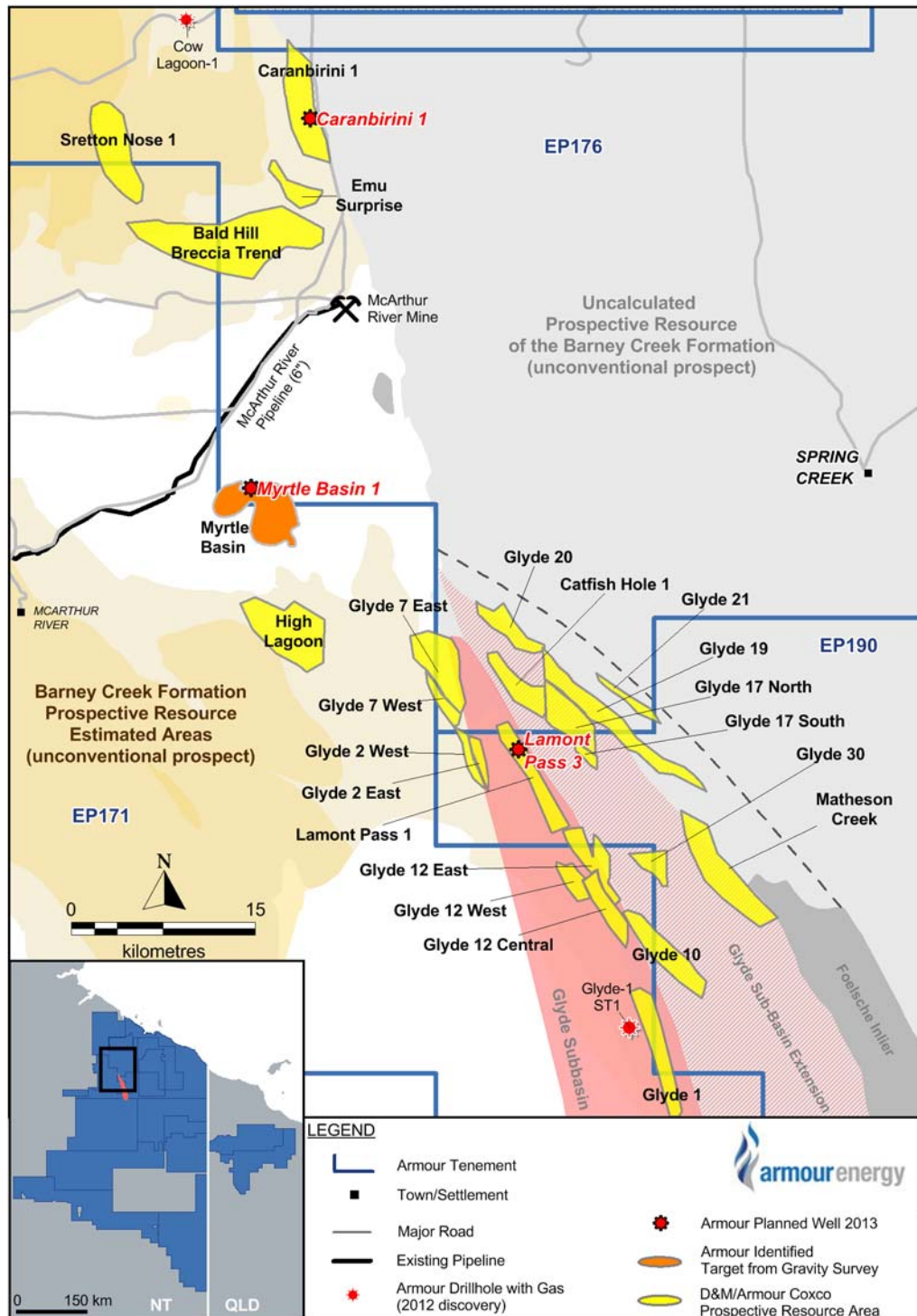


Figure 2: Armour Energy's Northern Territory exploration targets

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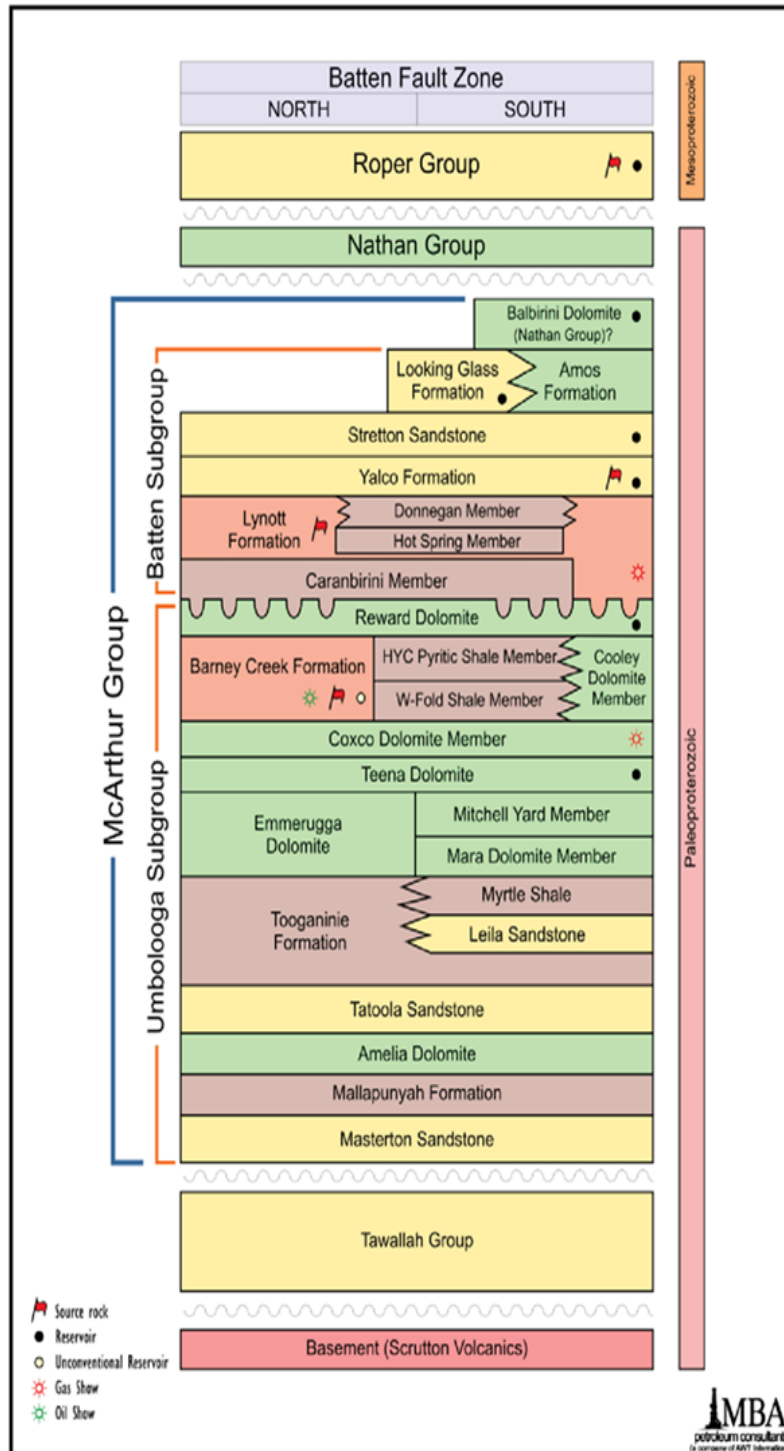


Figure 3: Generalised Batten Trough stratigraphic section with hydrocarbon occurrences

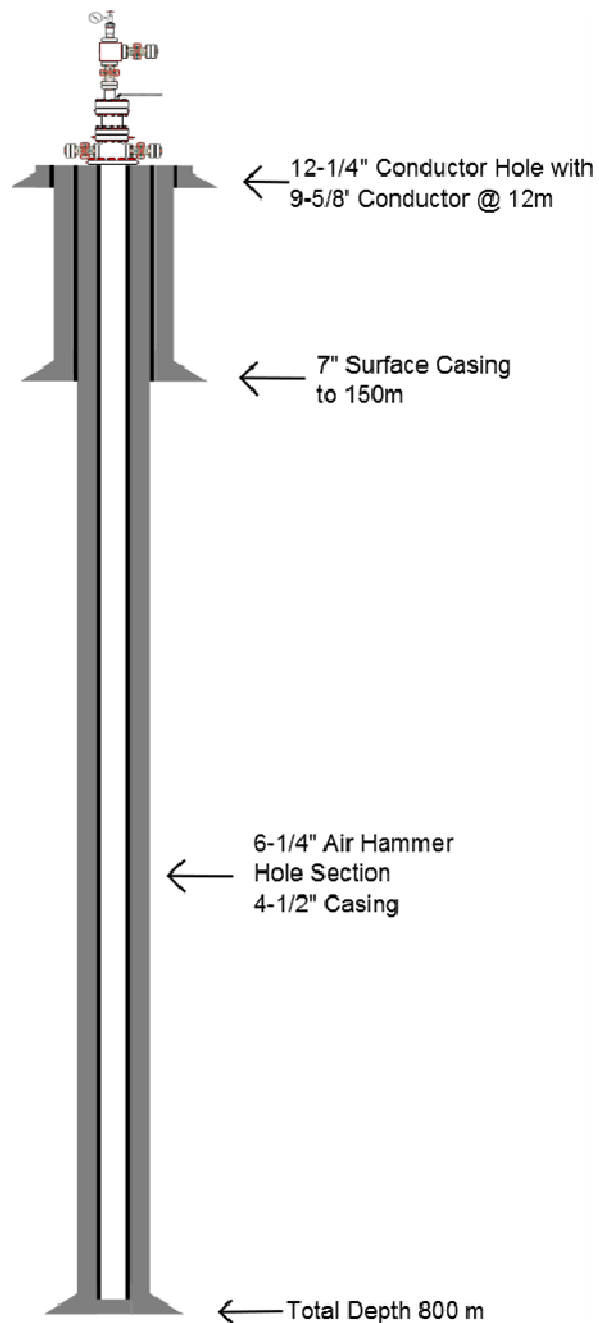


Figure 4: Proposed configuration of the Myrtle Basin 1 vertical well



About Armour Energy

Armour Energy is focused on the discovery and development of world class gas and associated liquids resources in an extensive hydrocarbon province in northern Australia which was first discovered in the early 1990s. This region has only recently had its shale potential identified by Armour Energy. Today's business environment with strong domestic and global demand for gas, gas prices trending towards LNG netback combined with proven shale extraction technologies and world class personnel, provides the Company with an extraordinary opportunity to define and ultimately develop a major new gas province.

Armour Energy's permit areas in northern Australia, which are all 100% owned, are characterised by low population densities, cooperative stakeholders and a natural environment suited to the exploration and development of a major future hydrocarbon province.

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 experienced Board of the Company includes four past Directors of Arrow Energy. The Company's technical and commercial team includes a range of industry experts and seasoned professionals who have been selected to help transform Armour Energy into a significant gas exploration and development company.

In its 2012 exploration program, Armour Energy encountered gas in the first two of its Northern Territory project areas, with both conventional and unconventional gas shows and flows encountered. The Glyde 1 well, which was drilled with an unfracted lateral, flowed at 3.3 million standard cubic feet per day during flow testing.

The Company has identified an independently certified prospective recoverable resource of 22 TCF of gas in the Lawn Shale within ATP 1087. An additional 18 TCF of conventional and unconventional targets have been identified by Armour in the overlying Carpentaria Basin and underlying Riversleigh Shale.

In June 2013, Armour Energy entered into a Heads of Agreement with APA to work towards transportation of up to 330 Petajoules a year of gas in the existing upgraded and future APA pipeline network to undersupplied coastal Queensland LNG and Sydney markets.

See www.armourenergy.com.au for more information.

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