



Armour Energy Limited

24 May 2013

Egilabria 2 Vertical Well Update

First Planned Casing Set - Now Drilling in Proterozoic Sediments of Isa Superbasin

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

The first well stage was drilled to a depth of 322m 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.

The well has currently reached a depth of 391m and drilling is now progressing through the Proterozoic sediments of the Isa Superbasin to a planned depth of 785m where an intermediate casing is planned to be set and cemented.

The Egilabria 2 vertical well will then continue to a total depth of 1850m to evaluate gas flows from a vertical section of the 125m thick target shale in the Lawn Hill Formation.

The Egilabria 2 DW1 lateral well will then be drilled from the Egilabria 2 vertical well to a measured depth of 2200m at 1750m total vertical depth. This will establish a sub horizontal lateral section targeting 504m of interval 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 in July 2013 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 prove commercial gas flows and will 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 tonne per annum of LNG production for more than 20 years.

Armour Energy is currently investigating gas sales and development options for the resource. The project is earmarked for supply to markets in the Northern Territory, Queensland and New South Wales, as well as well as having the potential to tap into local mining and export markets.

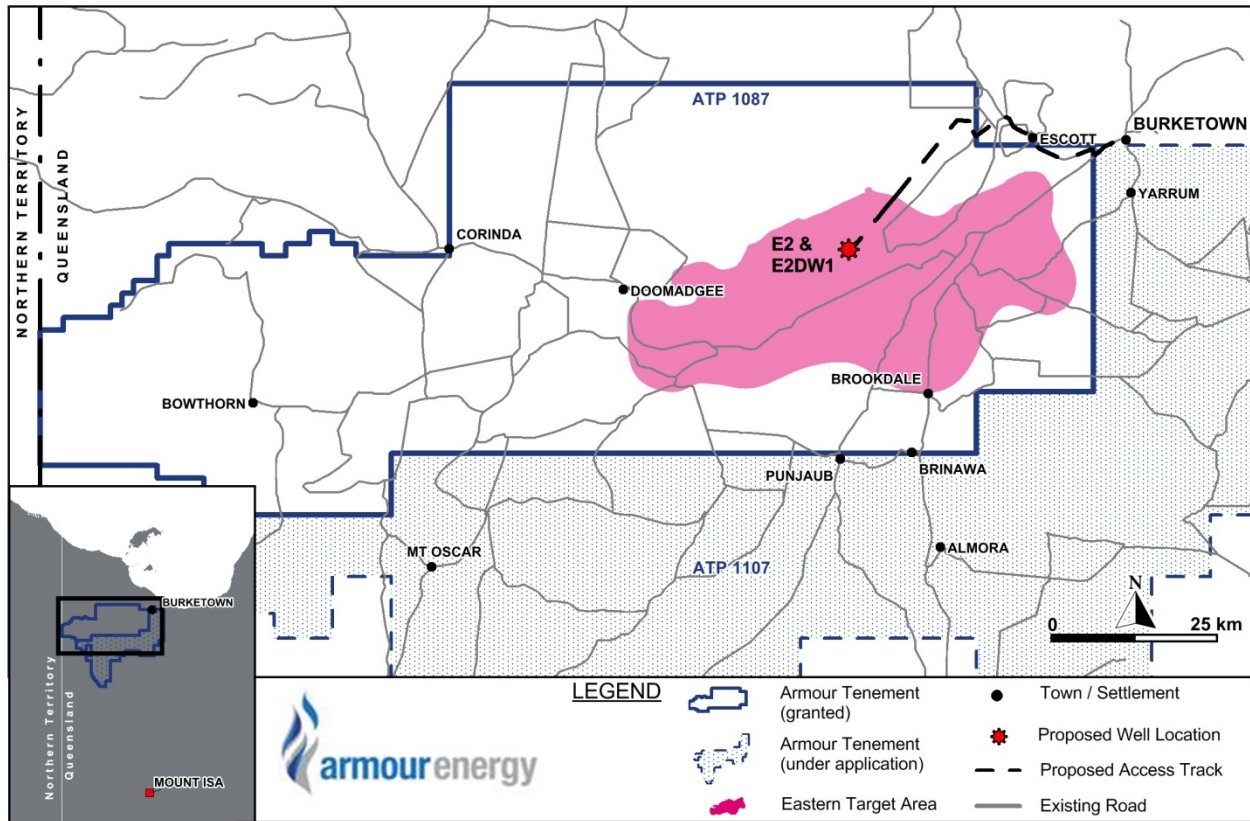


Figure 1: Location of Egilabria 2 well site within ATP 1087, Queensland.

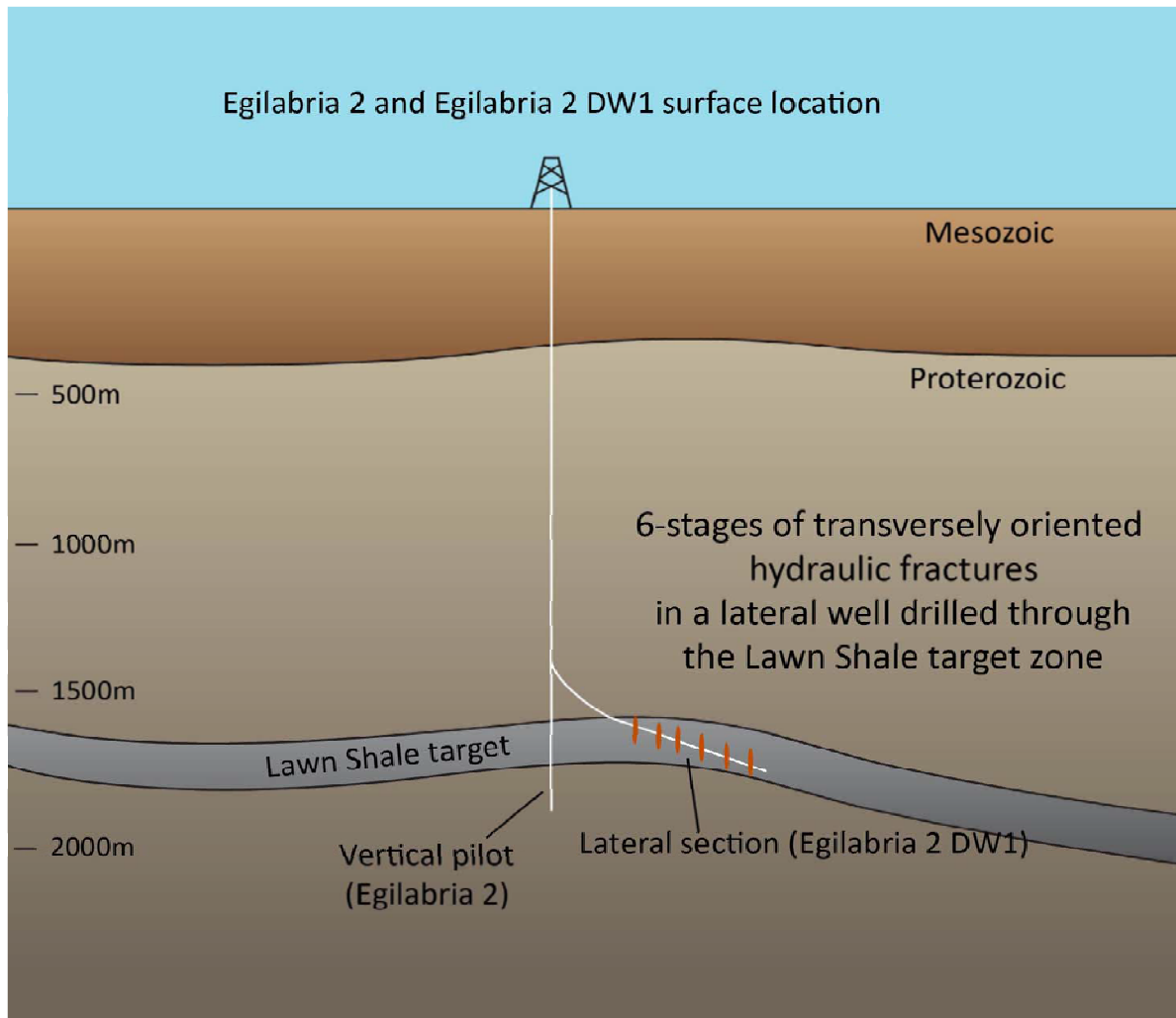


Figure 2: Proposed Well Schematic – Egilabria 2 and Egilabria 2 DW1 Wells



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 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