

Armour Energy Limited

5 February 2013

First Drilling Contractor Engaged for 2013 Exploration Wells in Queensland and Northern Territory.

Highlights:

- **First drilling contractor engaged for 2013.**
- **Discussions with additional contractors underway.**
- **Extensive due diligence on contractor's equipment, staff capability and track record.**
- **Armour time and cost risks minimised.**
- **McArthur Basin (Northern Territory), Isa Super Basin and South Nicholson Basins (Queensland) targeted for further gas discoveries, resources and reserves definition.**
- **Three (3) verticals wells and one (1) fraced horizontal lateral well planned near Egilabria, Queensland, North of Mt Isa.**
- **Three (3) vertical wells planned in Batten Trough, McArthur Basin, Northern Territory approximately 50km south of McArthur River Zinc Mine.**
- **Armour targets definition of up to 9 Trillion Cubic Feet (TCF) of resources and reserves over the next 3 years in the South Nicholson and Isa Super basins located in ATP1087 North Queensland, North of Mt Isa.**
- **9 Trillion Cubic feet (TCF) target exceeds gas requirements gas for long term supply of a 6 Million tonne per annum LNG Project.**

The Directors of Armour Energy Limited (ASX: AJQ) (the **Company**) are pleased to advise that the Company has entered into a contract for supply of drilling services to carry out the planned 2013 exploration program in North Queensland and the Northern Territory.

Silver City Drilling based in Port Macquarie NSW has been engaged for a series of wells in Queensland and in the Northern Territory. Silver City Drilling will supply the services of their highly experienced drilling crews and management team along with a Schramm TX130XD drill rig and the associated spread of equipment. The drill rig rated with a 138,000 pound pullback capacity is capable of drilling to a vertical depth of 2900m and will be equipped to drill vertical and lateral wells on both mud and compressed air.

The Drilling Services Contract and program has been designed and agreed with set criteria to avoid previous problems encountered with the 2012 drilling program in the Northern Territory. These criteria include:

- Lump sum prices for mobilisation, demobilisation and interwell rig moves;
- Acceptable minimum operating performance criteria to be met to ensure maximum productivity;
- Minimised exposure to time and cost extras outside of Armour's control; and
- Restriction of Armour's risks to geological factors.

The drilling contractor's drill rig, ancillary equipment and personnel have been subjected to rigorous due diligence investigations by Armour and its consultants. The rig contractor has previously successfully drilled several long lateral wells to a maximum measured depth of 2600 metres.

The program will commence in the recently granted ATP 1087 (**see Figure 1**) located in North Queensland where three (3) vertical wells and one (1) lateral well are planned with work scheduled to commence in late April. These wells will target the highly prospective shale gas potential of the Lawn Hill Formation where exploration by Comalco in 1991 encountered continuous gas shows of up to 390 gas units (approximately 8%) from a continuous 125m thick gas rich Lawn Hill Shale in the Beamesbrook, Egilabria, Desert Creek and Argyle Creek wells.

The first well of the program will be the Egilabria 2 vertical well to a planned depth of 1750m. The Egilabria 2 DW1 fraced Lateral well will then be drilled from the Egilabria 2 vertical well to a measured depth of 2360m to establish a 600m sub horizontal lateral well section within the Lawn Hill Formation. This lateral section will then be completed with casing and swelling packers to establish six (6) isolated stimulation zones (**see Figure 2**).

A six stage hydraulic stimulation is being planned for the Egilabria 2 DW1 well in July 2013 to test the shale gas production potential of the Lawn Hill Formation. Armour has received tender submissions and is progressing towards finalising a contract for supply of frac services for this well.

Armour Energy and its independent expert consultants believe the Lawn Hill Formation contains a prospective recoverable resource of 22 TCF gas. Armour believes this gives sufficient potential to define up to 9 Trillion Cubic Feet (TCF) of resources and reserves. This is a sufficient gas resource to supply a 6 Million tonne per year LNG facility for more than 20 years.

The planned hydraulic stimulation of the Egilabria 2 DW1 fraced lateral well is designed to prove the commerciality of this plan and will be a key milestone in the Company's plans to define proven and probable reserves in ATP1087.

The Egilabria 3 and Egilabria 4 vertical wells are then scheduled to follow in the program. Both of these wells are of similar depth and will test the lateral extension of the Lawn Hill Formation away from the Egilabria 2 DW1 well. Armour Energy is targeting definition an initial 2 trillion cubic feet (TCF) Contingent Resource in 2013 that would be based on successful stimulation results and positive correlation of results between the Egilabria 2, 3 and 4 wells.

The Egilabria 4 well is also located to simultaneously test the potential of a pinch out oil and gas play at the base of the Mesozoic Carpentaria Basin which Armour believes is being sourced by the underlying Lawn 4 and Riversleigh Formations.



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

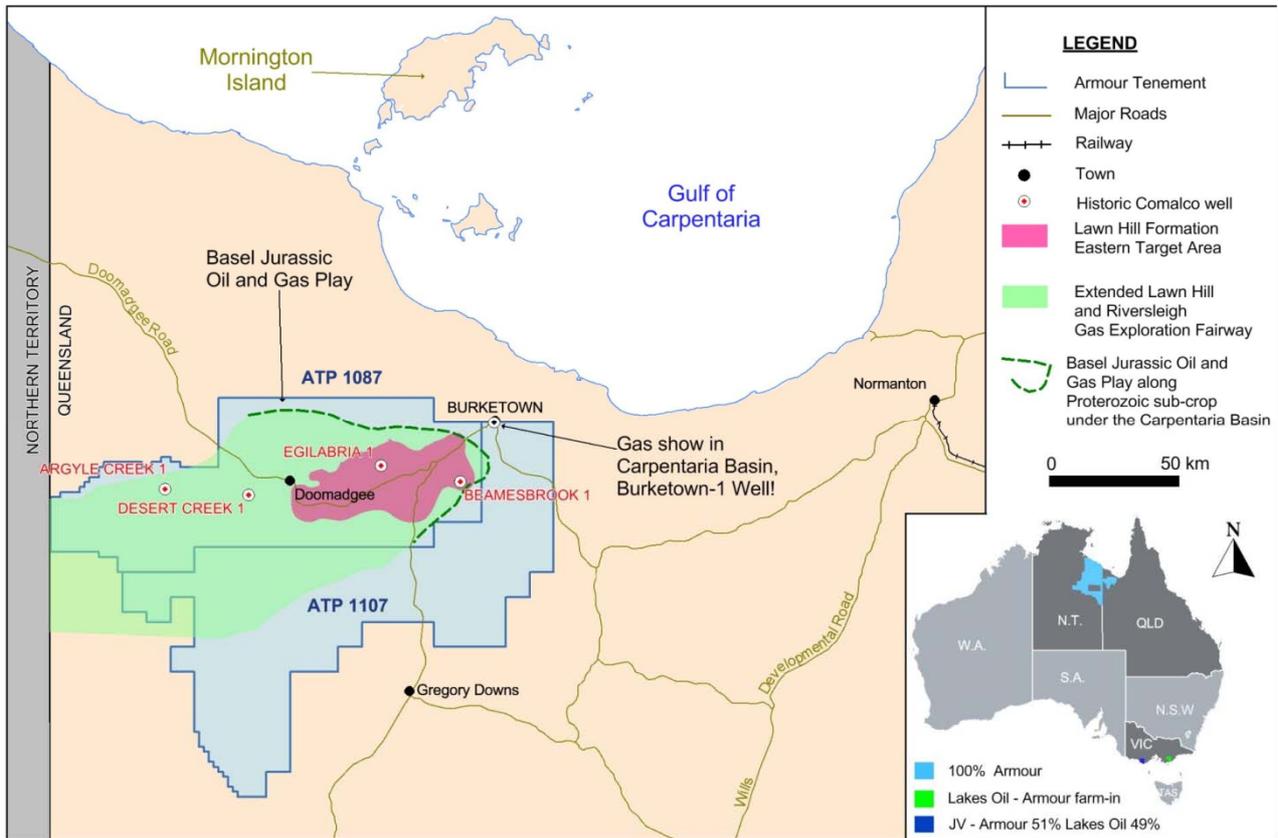


Figure 1: Location Map – ATP 1087 and ATP 1107 in Queensland

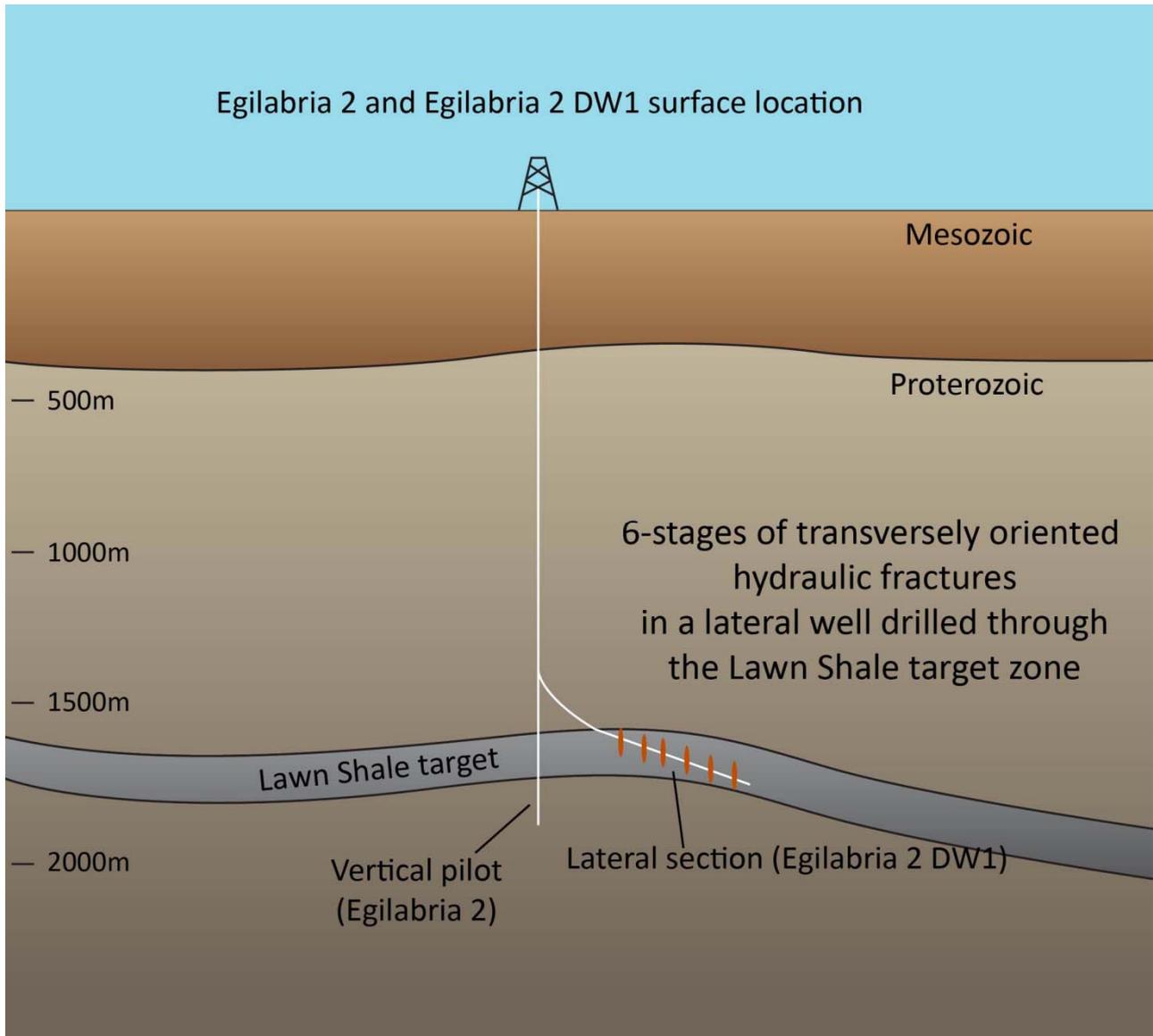


Figure 2: Proposed Well Schematic – Egilabria 2 and Egilabria 2 DW1 Wells