Armour Energy Limited

4 July 2013

Well Update

Gas Shows While Drilling Lawn Shale in Egilabria 2

HIGHLIGHTS

- **Frequent gas shows and gas flares encountered in Lawn Shale.**
- **Lawn Shale sequence thicker than anticipated and very organic.**
- **Target depth for the vertical well revised deeper to approximately 1900 metres.**
- **Encouraging, high drill penetration rates.**
- **Further gas testing to be undertaken at revised target depth.**

The Directors of Armour Energy are pleased to advise that the Egilabria 2 gas exploration well is at a current depth of 1791 metres in the main target Lawn Shale. Armour experienced nearly a three-fold increase in the drilling rate of penetration to up to 150m / hour, and increased background gas as drilling commenced into the Lawn Shale at 1660 metres. The zone is indicating up to 16 units of gas while drilling, being heavily diluted with air rates required for air hammer drilling. The Lawn Shale intersected is dark and highly organic.

Gas peaks of 20-115 units have been observed during frequent connection breaks, based on the increased rate of penetration, and short intermittent downtimes since entering the Lawn Shale. The well was shut-in for an hour to test for gas build up, resulting in a 1100 unit gas show and a gas flare that burned approximately 3 to 4 metres long for approximately one minute. Armour has experienced significant gas influx at the interval of 1519 metres while tripping in and out of the drill hole. The strong gas show encountered at 1519 metres, in addition to the show reported earlier at 1098 metres, has produced flares up to 8 metres long (see Figure 1) during the drlling bit change trips out and back into the hole, of up to 4008 units. The gas was predominantly methane, and two samples have been taken for detailed gas analysis. Chip samples of the Lawn Shale returned to surface have been bleeding gas bubbles.

Currently Egilabria 2 is prognosing a thicker shale interval than encountered in Egilabria 1 drilled by Comalco in 1991, located 500 metres south west of Egilabria 2. Continued flows from intervals uphole indicate the Lawn Shale is sourcing potentially naturally fractured intervals of the Wide and Doomagee Sequences overlying the Lawn Supersequence. Armour will determine whether to individually test any segments of the Lawn Shale interval after completion of drilling through the interval to a revised total depth approximately 100 metres below the base of the Lawn Shale to allow logging and any potential testing.

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Egilabria 2 is being drilled in Armour's 100% owned exploration licence ATP1087, 350kms north of Mt Isa (see Figure 2). Armour 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. The Company has recently entered 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.

Armour holds 133,000 km^2 of granted licences and applications over North Queensland and the Northern Territory. The provincial holding covers four successive sedimentary basins, the Isa Superbasin, South Nicholson and parts of the Georgina and Carpentaria Basins in Queensland and the MacArthur Basin in the Northern Territory (refer Figure 3 below). In the Batten Trough, Macarthur Basin, Armour made the Glyde 1 discovery last year at flowing gas rates up to 3.3 million cubic feet per day.

Armour has also recently appointed Mr Robbert de Weijer as its CEO. The appointment brings Mr De Weijer's considerable experience in oilfield exploration and development with Shell in the North Sea and Middle East and Arrow Energy's CBM projects in Queensland to Armour's exploration and future development projects.

Figure 1 - Flare observed on 3 July during bit changeout from previous gas zone encountered at 1519 metres in the Egilabria 2 well.

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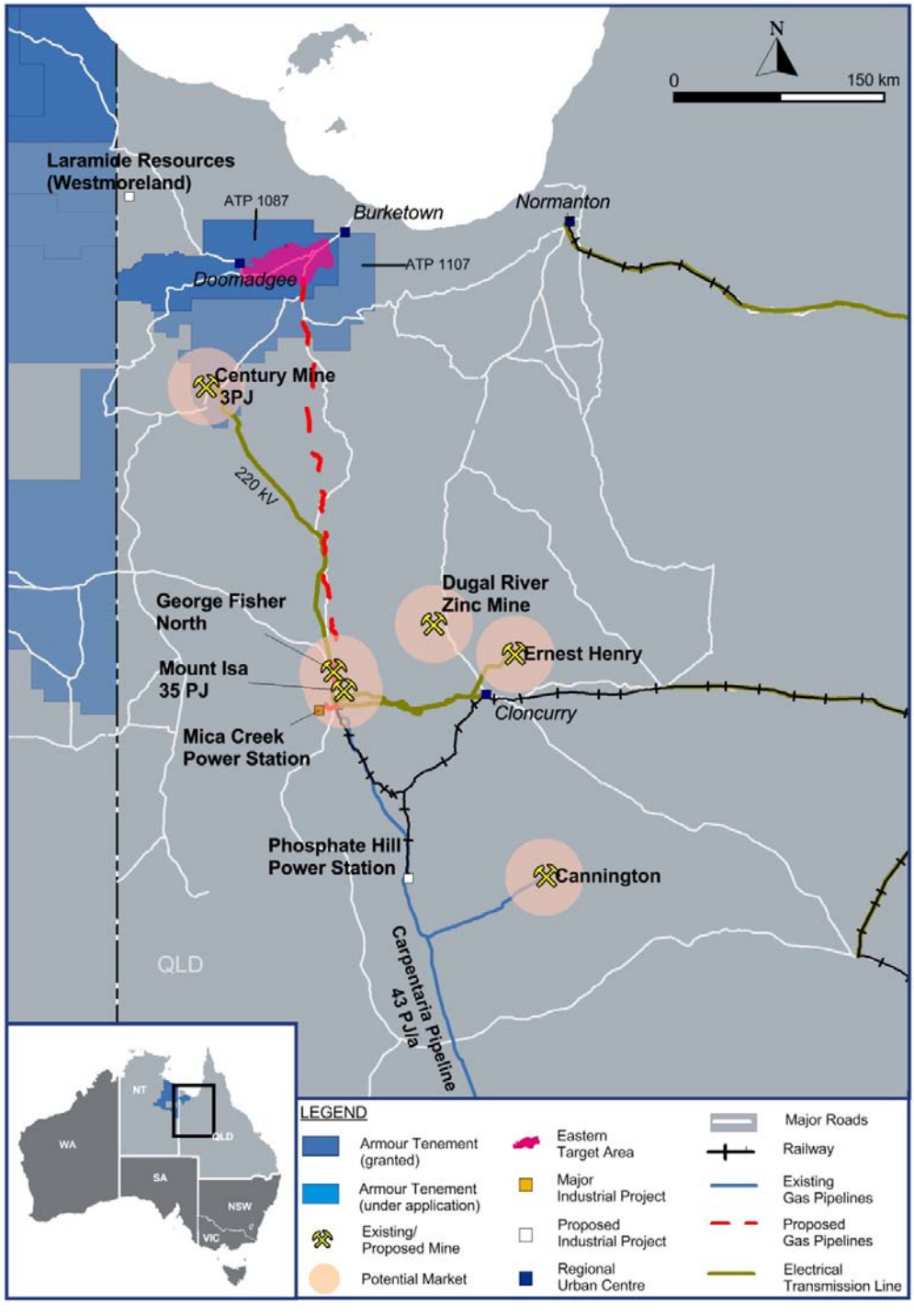

Figure 2 - Location map and pipeline / market infrastructure, ATP 1087 North Queensland

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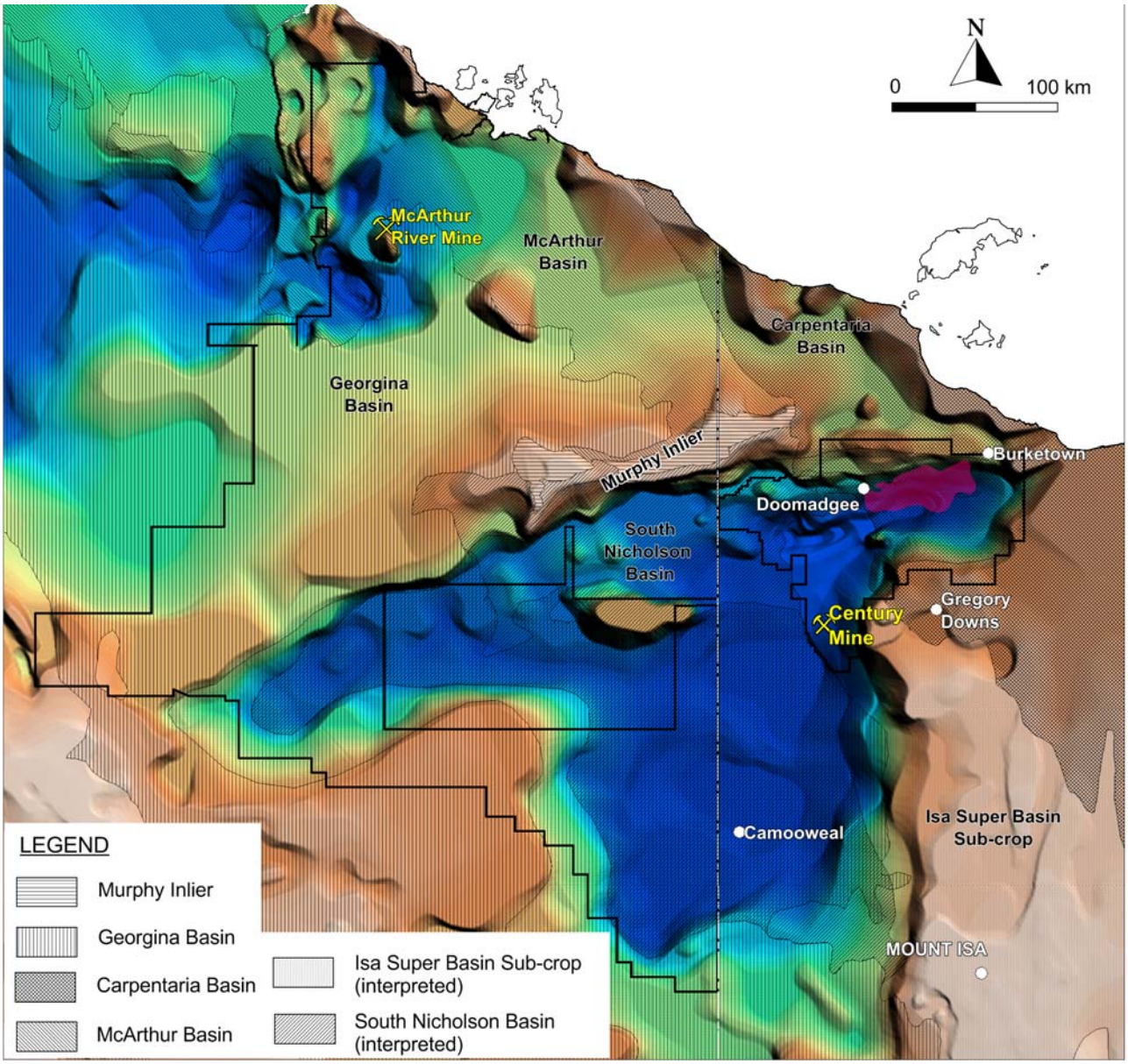

Figure 3 - Basin Schematic

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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.

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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