

Armour Energy Limited

5 July 2013

Well Update

Egilabria Build-up Gas Shows and Flare

HIGHLIGHTS

- **4 hours build-up test flare substantiates classic shale gas target.**
- **Lawn Shale sequence 150 metres thick (1660 to 1810 metres) and thicker than the 125 metres expected.**
- **Vertical well to be deepened by 100 metres.**
- **Logging activities planned over the weekend.**
- **Lateral well expected to commence in the first half of next week.**

The Directors of Armour Energy are pleased to advise that the Egilabria 2 gas exploration well is currently at a depth of 1830 metres. The well penetrated the bottom of the target Lawn Shale at 1810 metres, 65 metres lower than forecast, establishing a prospective target interval of 150 metres, approximately 25 metres thicker than the 125 metres expected. Overnight, the well was shut in and gas influx from the gas bearing rock formations allowed to build up in the well bore for 4 hours. A flare up to 5 metres long and with a methane peak of 32% (C1 – 322,731ppm) was observed for 20 minutes after the well was re-opened (refer Figure 1).

Armour considers the results to be very encouraging, and support the case for the lateral and fracture stimulation planned for the next stage of the well. Details of the design including length, declination, direction and number of stages of fracture stimulation are yet to be finalised.

Over the next 24 hours Armour intends to deepen the Egilabria 2 well by 100 metres to allow logging and characterisation of mechanical aspects of the underlying sediment layers to assist with final lateral bore and stimulation designs.

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 km² 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.



Figure 1 - Flare observed upon reopening the Egiliabria 2 vertical well after 4 hour shut in

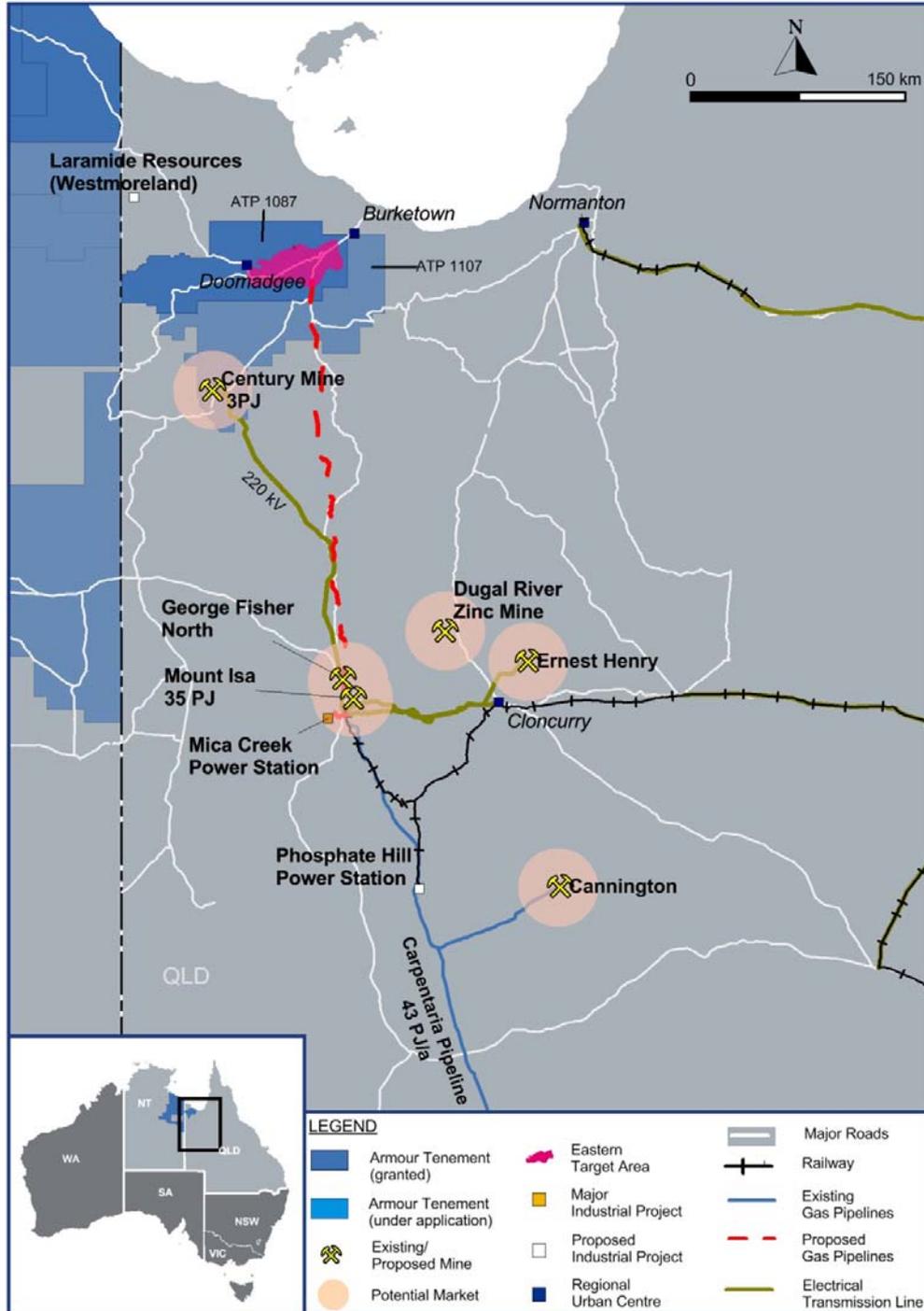


Figure 2 - Location map and pipeline / market infrastructure, ATP 1087 North Queensland

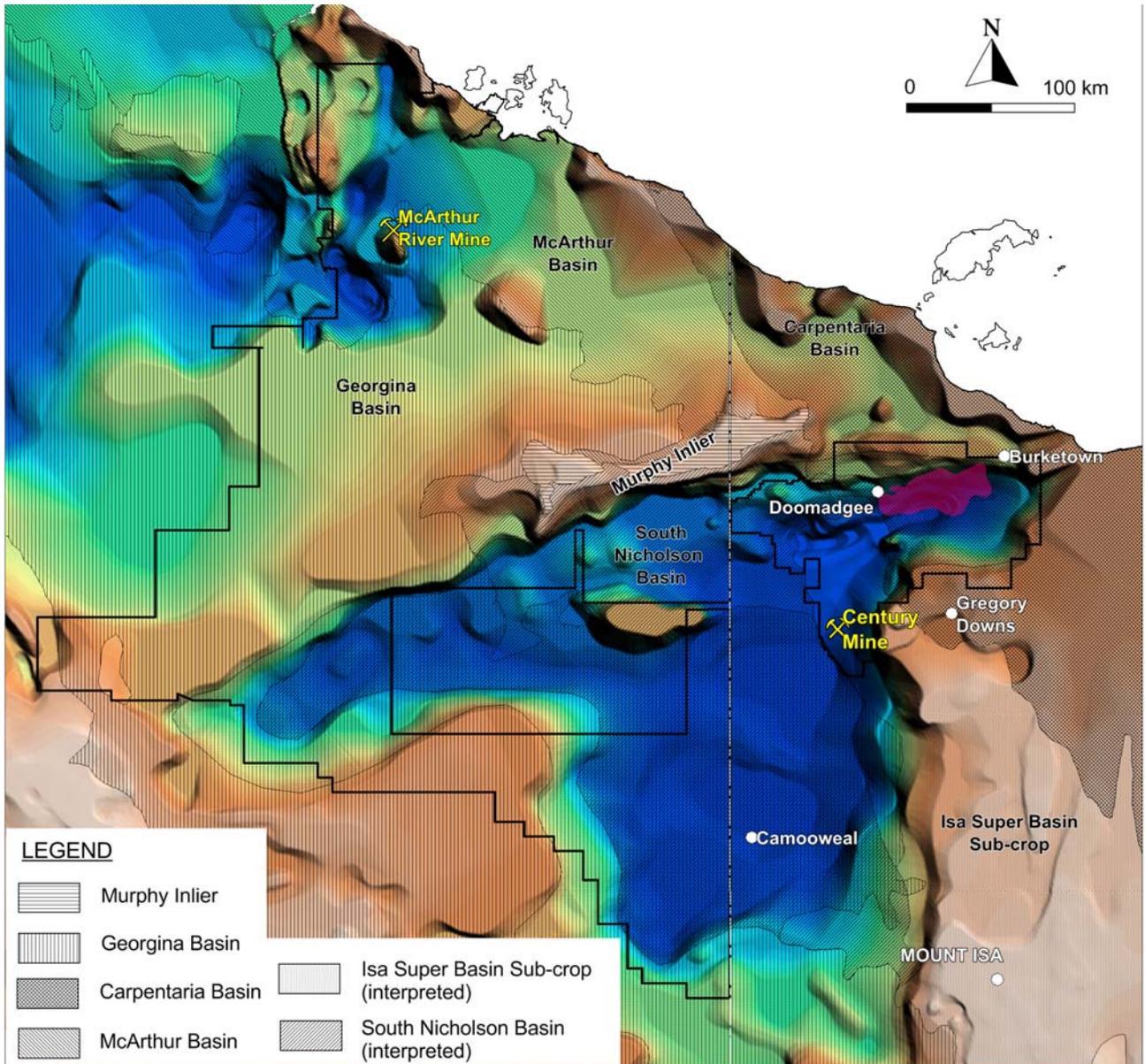


Figure 3 - Basin Schematic



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