

Armour Energy Limited

29 July 2013

Well Update

Egilabria 2 Lateral Gas Well Making Good Progress

Highlights:

- **Higher than expected drilling rates in the curved section of the well to the lateral section.**
- **Following lateral well trajectory as planned.**
- **Currently drilling in the Lawn Shale section; expected to reach target depth by mid week.**
- **Gas shows encountered during mud unloading running into hole at 1250, 1509 and 1638 metres and continuous background gas whilst drilling in the Lawn Shale.**

The Directors of Armour Energy Limited (Armour Energy, ASX:AJQ) are pleased to advise of good progress in the Egilabria 2 lateral well. The well is being drilled to test the reservoir characteristics and ascertain likely gas flow rates in a commercial development scenario for Armour Energy's gas resources in the Lawn Shale unit of the Isa Superbasin, ATP 1087, north of the regional mining and infrastructure centre of Mt Isa in north Queensland.

Armour Energy holds 100% of the project which contains a prognosed recoverable resource of 22 Trillion Cubic Feet (TCF) of gas. The Company is investigating the potential delivery of 330 Petajoules (PJs) of gas per annum to domestic and export LNG gas markets through a gas delivery system in conjunction with the APA Group.

Armour Energy recently intersected a 135 metre section of the prospective Proterozoic aged Lawn Shale unit encountering numerous, significant gas shows and flares, corroborating gas shows of up to 8% while drilling with mud by Comalco in 1991, who were exploring for oil.

In the last week of operations Armour Energy has successfully commenced the Egilabria 2 side track lateral well (DW1) on a trajectory based on an intense analysis of detailed logs sourced from the vertical hole which bottomed below the Lawn Shale. As previously reported, the vertical well encountered strong gas shows above, within and below the shale. Logs have shown the shale to be gas charged, thicker than expected, and suitably fractured for stimulation activities.

Armour Energy is currently drilling some 450 metres of lateral hole into the gas rich Lawn Shale with higher than expected penetration rates both above and within the Lawn shale. During operations running back into the hole with the new bit, the Company encountered strong gas shows producing flares which burned in excess of 5 minutes and up to 3 metres long (refer **Image 1**). Gas analyses show predominantly methane with negligible carbon dioxide levels. Some helium (a valuable by-product) has also been detected.

Armour Energy has designed an 8 stage stimulation program, after which the company intends to flow test the well. At this stage gas flow test results are expected around mid September.



Image 1 – Photo of flare just before unloading at approximately 1500m, which burned for at least 5 minutes.



On behalf of the board
Karl Schlobohm
Company Secretary



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 Riverslea 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.

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.

Head Office
Level 27
111 Eagle Street
Brisbane

GPO Box 5261
Brisbane QLD 4001
Facsimile: +61 7 3303 0681
Phone: +61 7 3303 0680

ASX CODE: AJQ
ACN: 141 198 414
Email: info@armourenergy.com.au
www.armourenergy.com.au