

Armour Energy Limited

18 July 2013

Well Update

Drilling of Egilabria 2 DW1 Lateral Well Underway

HIGHLIGHTS

- **Lateral well underway to target highly prospective, gas charged sediments in the Lawn Shale from 1605 - 1745 metres.**
- **Extensive and technically advanced suite of logging data successfully identified areas of porosity similar to Egilabria 1 with greater overall thickness.**
- **Well logs confirm thicker (137 metres) Lawn Shale “hot spot” as compared to the 125 metres expected based on Egilabria 1 well.**
- **Egilabria 2 DW1 lateral well to target between 570 - 750 metres of lateral length and up to eight (8) potential fracture stimulation stages.**

The Directors of Armour Energy are pleased to advise that the drilling of the Egilabria 2 DW1 lateral appraisal well has commenced from the Egilabria 2 vertical well at a depth of approximately 1300 metres. The Egilabria 2 DW1 lateral well is planning to target a range of possible trajectories based on drilling that will result in between 570 and 750 metres of lateral length and establishing a fracture stimulation interval from 1605-1745 metres (refer Figure 1).

Egilabria 2 vertical well penetrated the bottom of the target Lawn Shale at 1810 metres, 65 metres lower than forecast, confirming a highly prospective Lawn Shale target interval on logs of 137 metres, approximately 12 metres thicker than the 125 metres expected. Gas has been detected over a length in excess of 800 metres from the approximate interval of 1091 metres to 1900 metres and a number of flares were encountered as outlined in Table 1.

Armour considers these results to be very encouraging, and the extensive log data supports the case for the lateral and fracture stimulation planned for the Egilabria 2 DW1 well. Meanwhile Armour is continuing to analyse the data and are evaluating designs of up to eight (8) fracture stimulation stages to optimise productivity from the Egilabria 2 DW1 lateral. Final number of stages and treatment sizes will be based on the final trajectory of the lateral and a full log suite.

Halliburton Energy Services has been contracted to carry out the hydraulic stimulation of the Egilabria 2 DW1 well in August and 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.



On behalf of the board
Karl Schlobohm
Company Secretary

Date	Time (hrs)	Hole Depth (m)	Formation	Gas Peak (units)	Chromatograph Hydrocarbon Breakdown (ppm)	Flare Length (m)	Flared Duration (sec)	Operation at Flare
28/06/2013	1400	1098	Doomagee Supersequence	1404	C1-204299, C2-1752, C3-1708, He-1265, CO2-986	7-8m	~120	Drilling ahead
28/06/2013	1500	1098	Doomagee Supersequence	1417	C1-226164, C2-1524, C3-1468, He-1420, CO2-1174	7-8m	~120	Open BOP after shut in
1/07/2013	2240	1519	Wide Supersequence	1099	C1-189019, C2-2171, C3-2130, He-1087, CO2-905	Not reported		Drilling ahead
3/07/2013	520	1519	Wide Supersequence	4000	C1-248404, C2-2608, C3-2549, He-1465, CO2-374	-		Unloading well
4/07/2013	800	1791	Lawn Hill Shale	1100	C1-202253, C2-1357, C3-1312, He-1238, CO2-6410	-		Inflow test
4/07/2013	1500	1791	Lawn Hill Shale	1013	C1-143018, C2-1019, C3-984, He-898, CO2-1638	-		Unloading well
5/07/2013	420	1830	Base Lawn Hill Supersequence	4062	C1-322731, C2-2512, C3-2422, He-2008, CO2-5335	-		Inflow test
6/07/2013	1846	1830	Base Lawn Hill Supersequence	3901	C1-324973, C2-1404, C3-1335, He-2381, CO2-808	5-6m	~360	RIH 1156 unloading well
6/07/2013	1932	1830	Base Lawn Hill Supersequence	3150	C1-Undetermined, C2-2772, C3-2564, He-4651, CO2-9947	4-5m	~35	RIH 1252 unloading well
6/07/2013	2240	1830	Base Lawn Hill Supersequence	2501	C1-196486, C2-953, C3-910, He-1359, CO2-655	5-6m	~45	RIH 1676 unloading well
6/07/2013	2345	1830	Base Lawn Hill Supersequence	4166	C1-Undetermined, C2-4745, C3-4169, He-5984, CO2-4607	6-8m	~180	RIH 1810 unloading well
7/07/2013	520	1870	Base Lawn Hill Supersequence	2667	C1-204993, C2-1309, C3-1265, He-1136, CO2-5111	6m	~300	Circulate after changing rubber

Table 1 – Gas Flares Encountered while Drilling Egilabria 2 Vertical Well

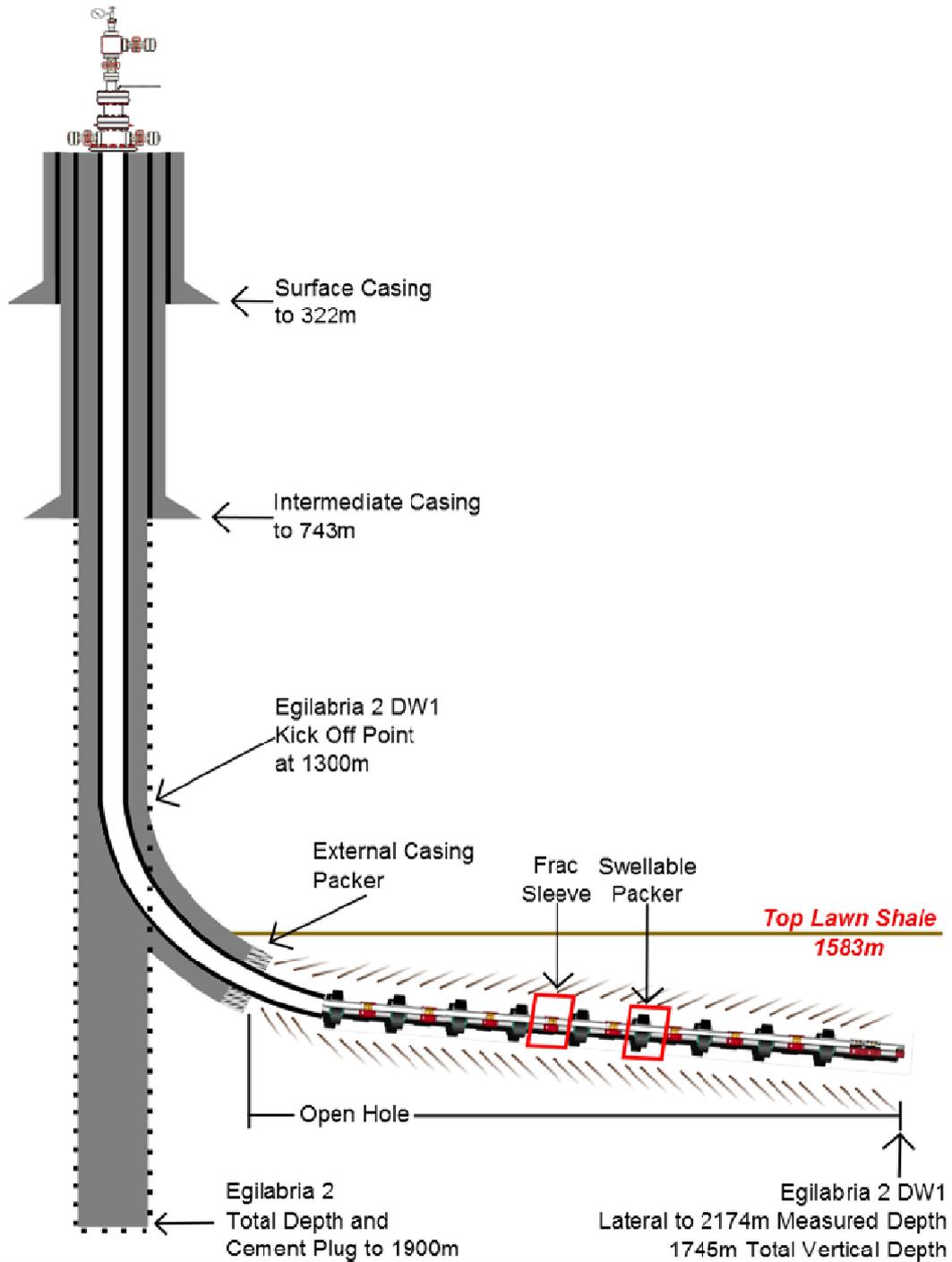


Figure 1 – Potential Egilabria 2 DW1 Planned Lateral Well Trajectories of 571 to 747m



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

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