

Armour Energy Limited

4 November 2013

Well Update

Egilabria 2 – First Continuous Post-Stimulation Gas Flows

HIGHLIGHTS

- **First successful application of multi-stage, hydraulically stimulated, horizontal well technology in the Australian shale gas industry.**
- **Continuous gas flows have commenced from the Lawn shale, a major potential gas play in northern Queensland.**
- **Gas flows expected to increase as the well continues to flow back stimulation fluids.**
- **Gas shows in zones from 700-1530 metres yet to be hydraulically stimulated and tested.**

The Directors of Armour Energy are pleased to advise that initial gas flows to surface and a flare of at least 2 feet have been observed from the Egilabria 2 well drilled in Armour's 100% owned ATP1087, north of Mt Isa, following drilling and hydraulic stimulation of the lateral well, Egilabria 2 DW1. Continuous gas flow is being observed in conjunction with flow back of fluids injected during stimulation of the well.

Armour's pioneer well in Queensland's frontier South Nicholson Basin represents a landmark for the Australian oil and gas industry as the well is the first successful application of multi-stage, hydraulically stimulated, lateral well technology developed in North America to an Australian shale gas formation.

The aim of the production test at Egilabria 2 was to prove not only the hydrocarbon potential of the Lawn Shale formation, but also to confirm the suitability of horizontal well technology to achieve commercial gas flows. Results to date from this first production test in the South Nicholson Basin are in line with the Company's expectations and are very encouraging. The well has now flowed back 44% of stimulation fluids and continues to flow at a rate of approximately 13 barrels per day in conjunction with initial volumes of gas (at open choke and zero (0) psi pressure observed at the surface separator). The gas flow rate has not been measured, but a sustained flare of at least 2 feet has been observed. As the well continues to unload, the flow of gas is expected to further increase as gas replaces fluids in the formation allowing increased gas flow into the well bore. The Company intends to continue this process over the coming weeks. As per the well testing program, this will be followed by a pressure build-up period. The actual timing of these activities may be dictated by the imminent onset of the northern wet season.

The Egilabria 2 well is testing the highly prospective Lawn Shale formation within the South Nicholson Basin, just 320 km to the north of Mt Isa (Figure 1). Eight stimulation stages were originally targeted and of these, the majority of proppant (essentially sand to open up pathways through which gas can flow) was placed in the middle four stages covering the top 66m of the organic rich 137m thick Lawn Shale formation.

Two of these stages were considered particularly successful as design quantities of various sizes of proppant were placed in the formation.

The production test results to date confirm the presence of a continuous, gas-rich section of the Lawn Shale and demonstrate that, with suitable drilling and stimulation techniques, commercial gas flows should be achievable. This is a major goal of any early shale gas play, and was achieved by Armour in Queensland less than a year after securing the tenement grant.

Egilabria 2 also intersected continuous gas shows in sediments from 700 metres down to the top of the Lawn Shale at 1640 metres. Zones above 1530 metres have not yet been hydraulically stimulated or flow tested. This will be included in Armour's future work program.

On 5 July 2013, Armour reported a flare up to 5 metres long for 20 minutes after the Egilabria 2 vertical well was re-opened after shut in at a depth of 1830 metres. At that time the well had penetrated the bottom of the targeted Lawn Shale at 1810 metres. This gas charged interval below the Lawn Shale is likely to extend through the Riversleigh Shale formation. The Riversleigh Shale underlies the Lawn Shale by roughly 500 metres at this location, creating a total of around 1700 metres of gas charged sediments.

Since drilling Egilabria 2, Armour has drilled the Egilabria 4 vertical well 8km from Egilabria 2 and encountered gas shows in three separate zones of the underlying Riversleigh Shale formation and adjacent zones (Figure 2). Logs from Egilabria 4 indicate excellent shale gas parameters, potentially better than the Lawn Shale. Cores from Egilabria 4 are currently being analysed.

Egilabria 2 is in Armour's 100% owned exploration licence ATP1087. The Lawn Shale in ATP 1087 has been assessed by the Company's independent geological consultant (MBA Petroleum Consultants) to host Mean Prospective Resources of 22.5 TCF of gas. The Riversleigh Shale will potentially add significant upside to the prospectivity of ATP 1087. Drilling results from Egilabria 4, combined with airborne geophysical survey results and the gas shows at the 1990's Comalco Argyle Creek 1 and Desert Creek 1 wells in the Riversleigh Shale, will amass a data set targeting a Prospective Resource Area up to 18 TCF of contained gas, based on the Company's previously announced in-house review of ATP 1087.

The Company has entered into a Heads of Agreement with APA to work towards transportation of up to 330 Petajoules a year of gas in existing, upgraded and future APA pipeline network to undersupplied coastal Queensland and New South Wales markets (Figure 3).

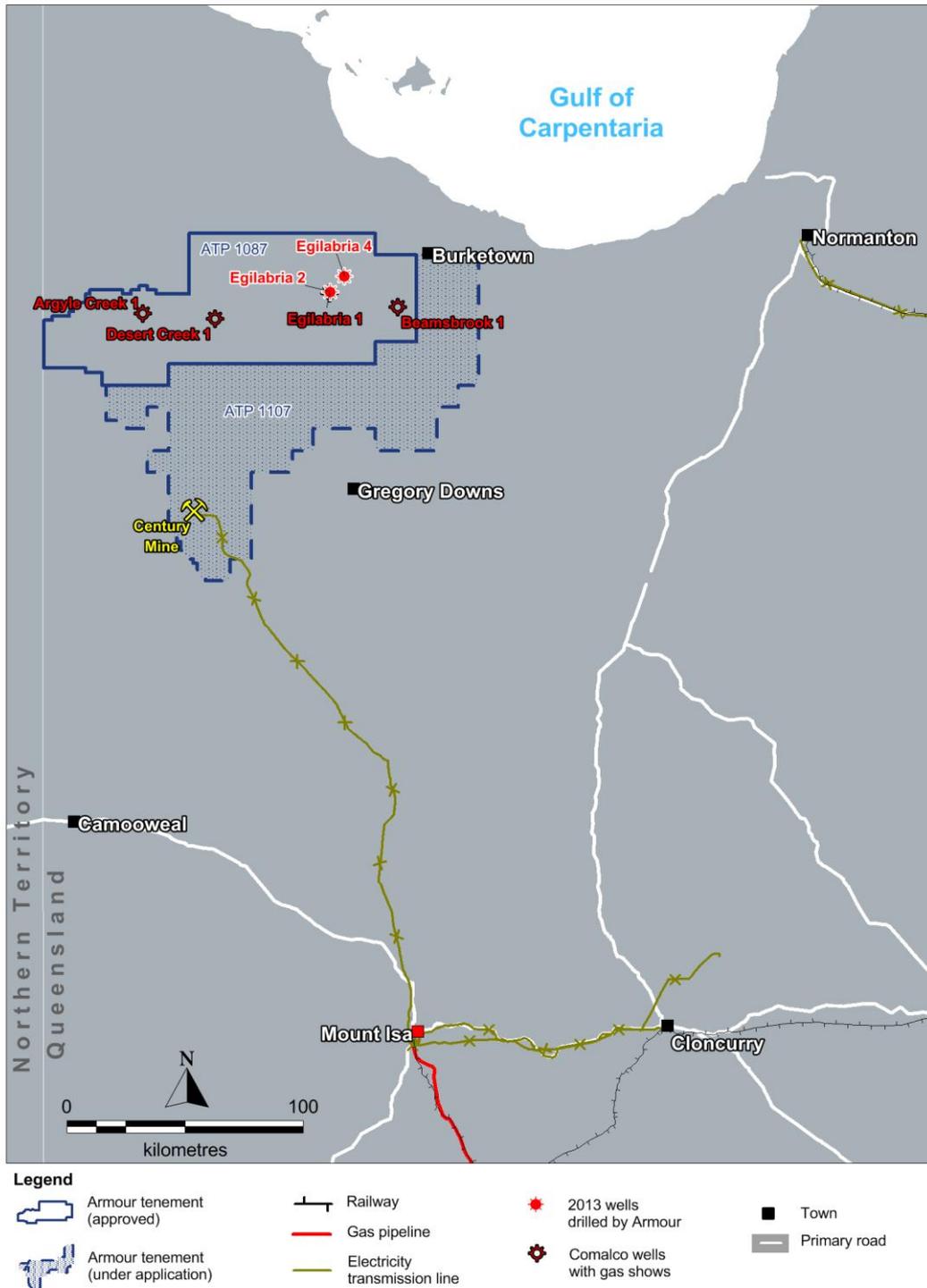


Figure 1: Location of Egilabria 2 well, ATP1087 Queensland

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Interpreted Seismic Section of Line 89BN-6 Showing Four Conventional Play Types

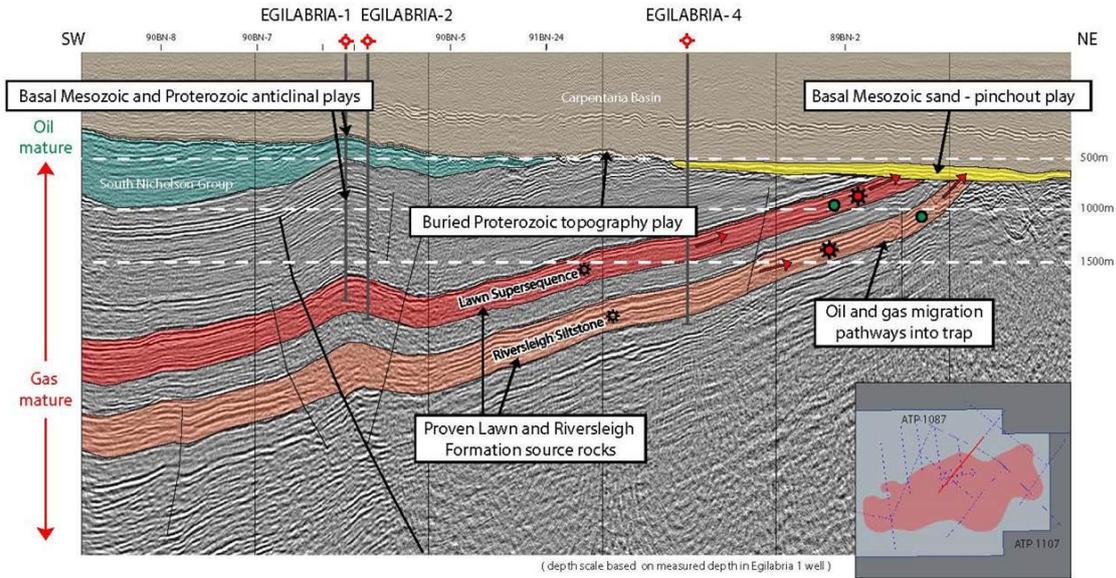


Figure 2: Interpreted seismic section – Lawn and Riversleigh Shale Formations

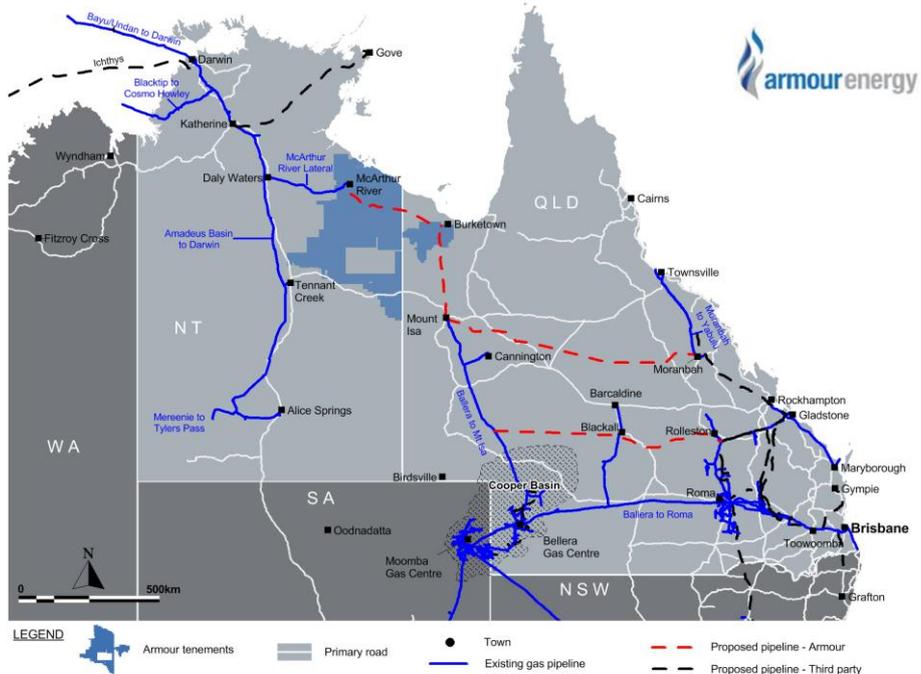


Figure 3: Existing, upgraded and future APA pipeline network

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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 Reservoir Development 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 and flow details 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