

Armour Energy Limited

8 October 2013

Operational Update – Northern Territory Drilling Campaign

HIGHLIGHTS

- **Myrtle Basin 1 has reached a depth of 861 metres with casing set at the top of the Barney Creek Shale.**
 - Further coring planned through prospective Barney Creek Shale and Coxco Dolomite targets.
 - Historical results indicate Myrtle Sub-basin is likely to be in the oil and gas window.
- **Lamont Pass 3 currently drilling at 304 meters to test multiple targets in the Glyde Sub-basin.**
 - Connection gases of up to 100 units were reported.

The Directors of Armour Energy are pleased to provide the following update on the 2013 Northern Territory drilling campaign currently in progress.

Myrtle Basin 1 vertical well

The Myrtle Basin 1 exploration well located just 5km to the south of the Daly Waters to McArthur River Pipeline has been drilled successfully to a depth of 861 metres penetrating the top of the Barney Creek Shale in the Myrtle Sub-basin of the McArthur Basin (Figure 1). The Barney Creek shale formation was encountered significantly deeper than prognosis, which could indicate stronger gas contents.

The remainder of the Barney Creek Shale and the underlying prospective Coxco Dolomite formation in Myrtle Basin 1 can now be core drilled to test for hydrocarbons and to obtain geochemical laboratory data. Armour believes the Myrtle Sub-basin is an area with potential to host deeper and possibly more prospective intervals than the 2012 Glyde Sub-basin gas discovery (Figure 2).

Armour is currently seeking approval from the Northern Territory Department of Mines and Energy to deepen this well. Meanwhile, the drilling rig has moved to and spudded the Lamont Pass 3 well. Unless constrained by the onset of the wet season Armour will continue with coring at Myrtle Basin 1 following the drilling of Lamont Pass 3.

Lamont Pass 3 vertical well

The Lamont Pass 3 exploration well is the second site testing for hydrocarbon accumulations located in the Glyde Sub-basin of the McArthur Basin. Prior to setting casing at 304 meters, connection gases of up to 100 units were reported.

Lamont Pass 3 is located 50km south of the Myrtle Sub-basin and is 25km north of the Glyde 1 (ST1) gas discovery made by Armour Energy in 2012, which flowed 3.3 mmcf/d (Figure 1).

The Lamont Pass 3 well is testing multiple targets from a single vertical well. The Lamont Pass structure is one of twenty-three (23) of Armour's targeted areas holding 264 Bscf Mean Prospective Resources, unrisks, as assessed by DeGolyer and MacNaughton (D&M) within the Coxco Dolomite of the Teena Formation. These 23 target areas are associated with a wider zone of potential Coxco Dolomite target areas extending along the Emu Fault trend and likely sourced from the Barney Creek Shale. These Coxco conventional Prospective Resources are an addition to MBA Petroleum Consultants' Mean Prospective Resource estimate of 18.6 Tscf unconventional resources assessed for the Barney Creek Shale within the Batten Trough of the McArthur Basin.

Just as a series of wells drilled by Amoco in 1979 discovered gas in the Glyde Sub-basin leading to the successful Glyde ST1 well (drilled by Armour in August 2012), an offset 1982 Amoco 82-6 core well drilled 5km northwest of Lamont Pass 3 which reached a total depth of 300 metres reported up to 7% total organic content (TOC) with bitumen lined vugs and residual oil shows above the Barney Creek Shale. Lamont Pass 3 is prognosed to pass through these prospective intervals in the Caranbirini Member as well as the Reward Dolomite, Barney Creek Shale and the Coxco Dolomite to a total depth of approximately 1,200 metres. Both the Caranbirini Member and Reward Dolomite also had gas flows and shows in the Cow Lagoon 1 discovery well drilled by Armour Energy in 2012 (Figure 3).



On behalf of the board

Karl Schlobohm
Company Secretary

DeGolyer and MacNaughton is qualified in accordance with the requirements of ASX listing rule 5.11 and has consented to the use of the DeGolyer and MacNaughton resource figures in the form and context in which they appear in this announcement. The resource estimates used in this announcement, where indicated, were compiled by MBA Petroleum Consultants, and detailed in the Independent Expert's Report, Replacement Prospectus dated 20 March 2012 for Armour Energy (Chapter 9).

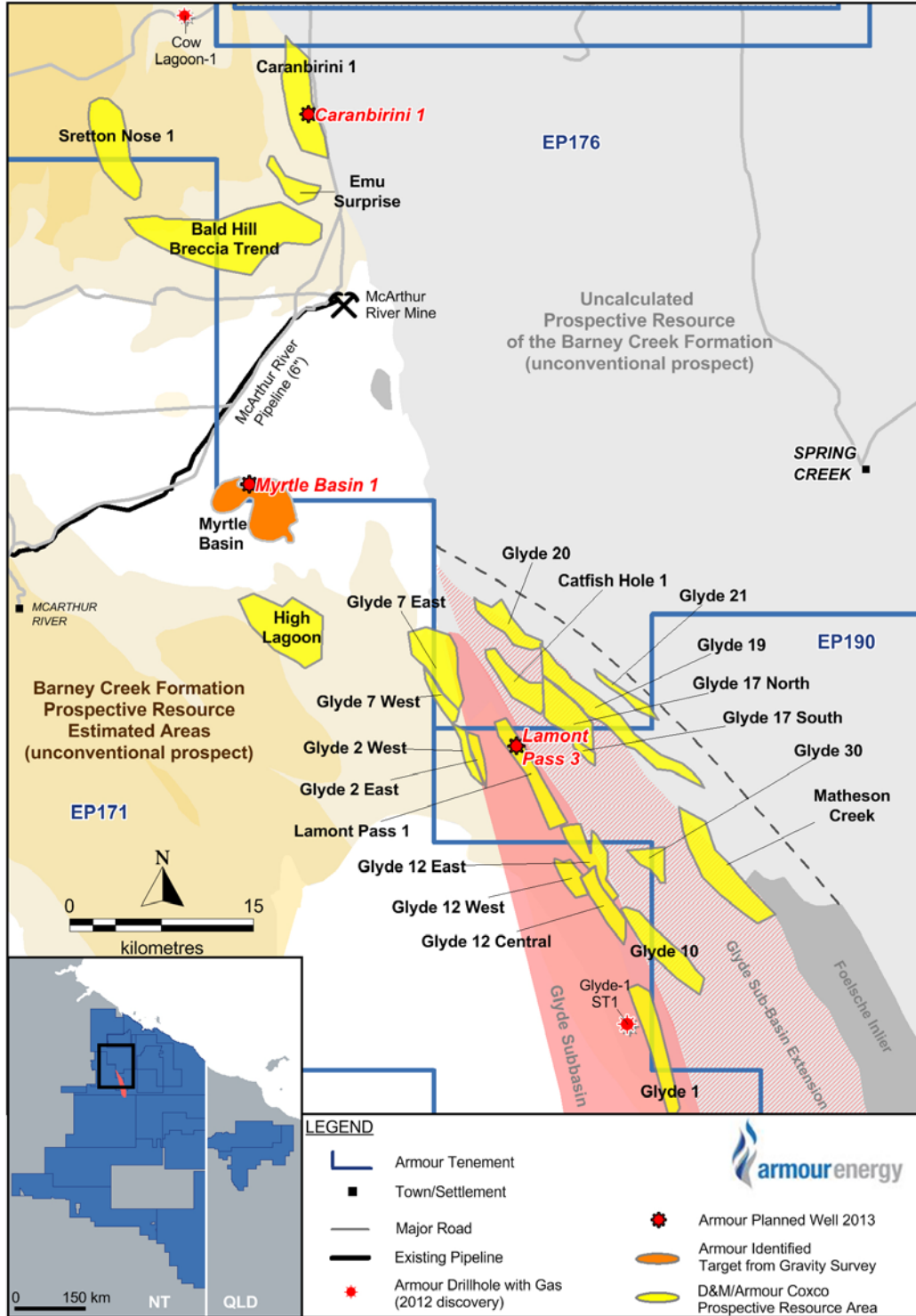


Figure 1 – Myrtle Sub-basin and Glyde Sub-basin location map.

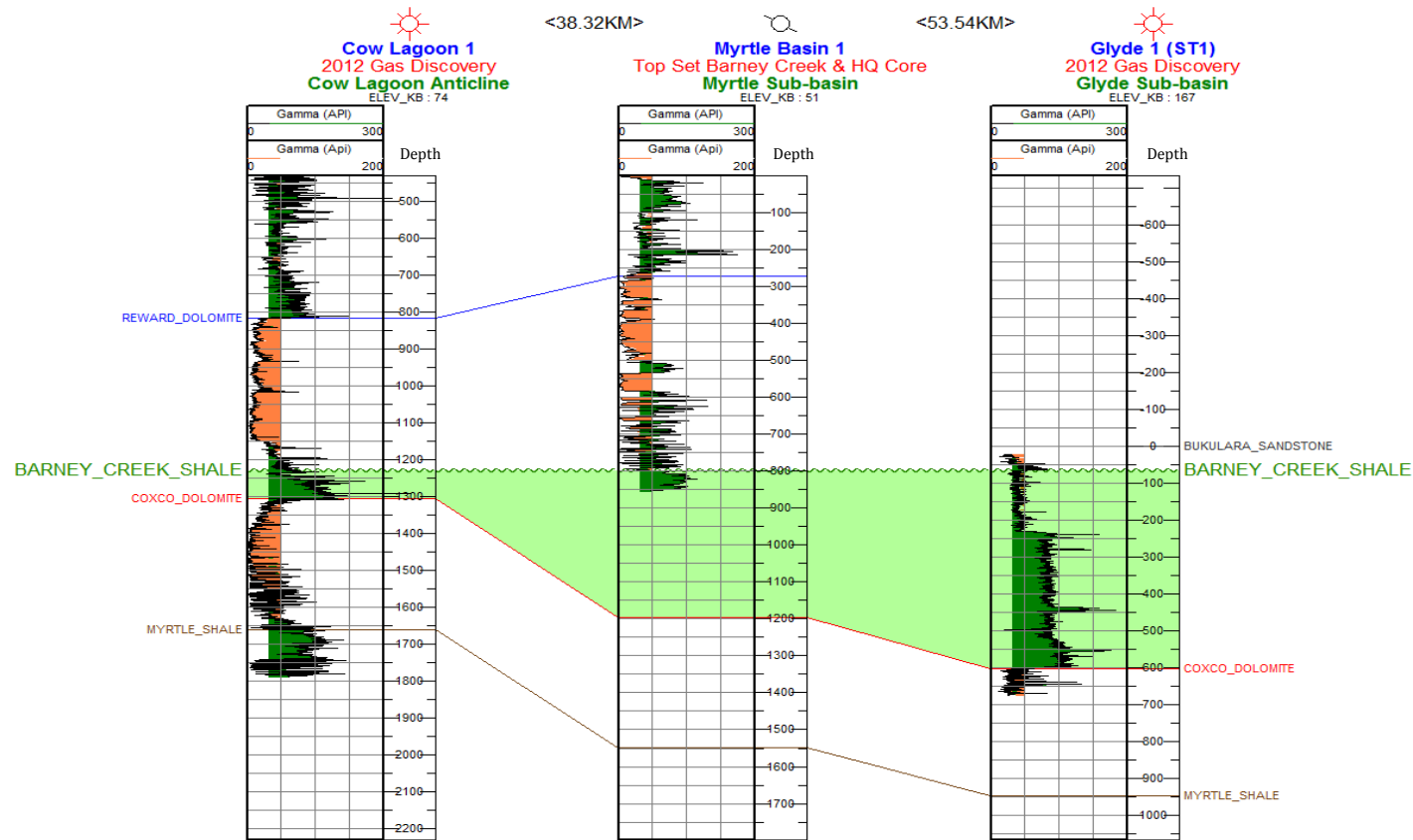


Figure 2- Geological cross-section from the Cow Lagoon 1 gas discovery through the Myrtle Basin 1 wellbore and south to the Glyde 1 (ST1) gas discovery.

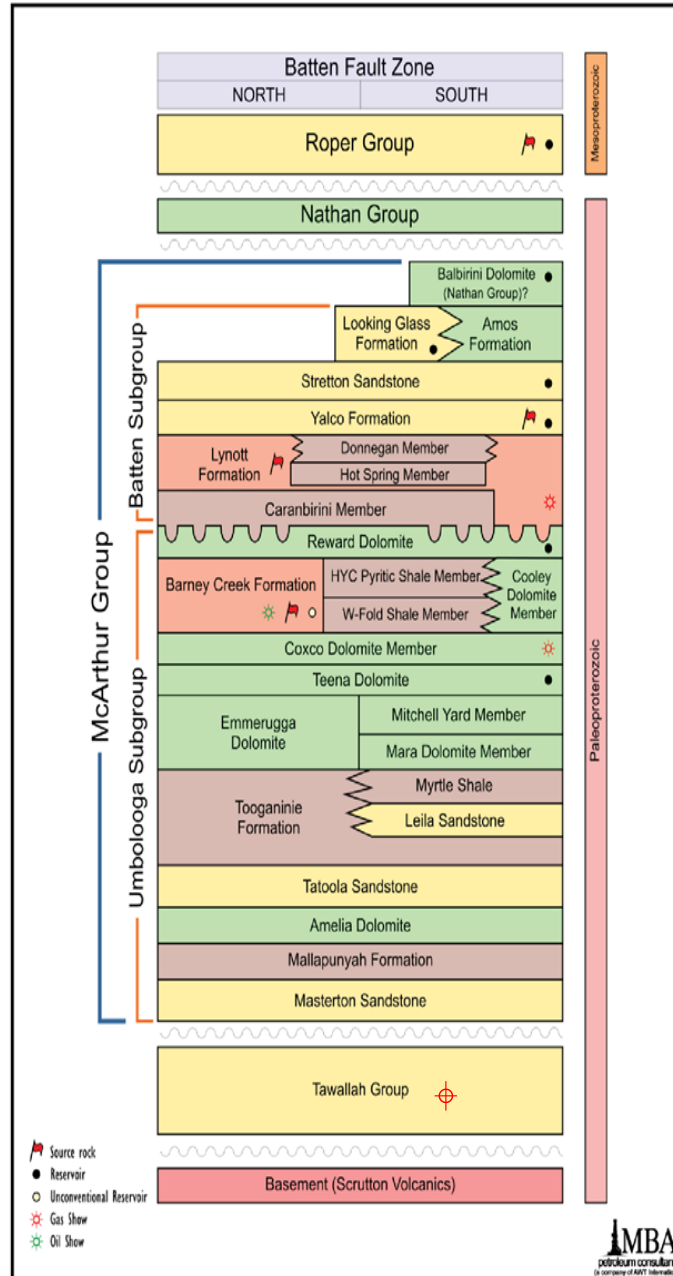


Figure 3 – Stratigraphic Column for the Batten Trough with oil and gas shows.



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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