

Armour Energy Limited

19 September 2013

Operational Update - ATP 1087 in Queensland

Highlights:

- **Egilabria 2 hydraulic stimulation program completed.**
- **Egliabria 2 proof of concept for stimulated lateral development strategy on track.**
- **Egilabria 4 vertical well drilling at 1,312 metres targeting multiple plays.**

The Directors of Armour Energy Ltd (ASX: AJQ) are pleased to provide the following update on the Company's operations in ATP 1087 in Queensland.

Egilabria 2 DW1 lateral – hydraulic stimulation

The hydraulic stimulation of the E2 DW1 lateral well is now complete. The well is testing the Lawn Shale, as well as fractured gas intervals immediately overlying the Lawn Shale. A total of eight stages were originally targeted and twelve zones were hydraulically stimulated. The majority of proppant was placed in the middle four stages covering the top 66m of the organic rich 137m thick Lawn Shale. The historic Egilabria 1 well to the west recorded a 125m thick section of Lawn Shale with highest gas noted (up to 8%) in this uppermost section in 1991.

In addition to placing proppant at intersections with known gas shows, Armour performed a number of additional diagnostic injections in adjoining and alternate intervals. The data is being analysed and will enable Armour to better understand the permeability and stress regime of the gas bearing rocks to optimise the targeting of future laterals, a key deliverable of this proof of concept well.

The well is currently being cleaned out in preparation for production testing. Results should be available around mid-October, depending on clean up time. Clean up time on stimulated laterals can vary greatly and is dependent on a number of factors. As there have been no previous tests of this nature in this basin, Armour is not able to accurately forecast the likely result and timing.

The aim of the production test at Egilabria 2 is to prove the concept that horizontal well technology, together with hydraulic stimulation, can flow hydrocarbons to surface from the Lawn Shale formation. The Lawn Shale formation contains a prospective resource of 22.5 TCF of high quality gas, which could potentially feed 6mtpa of LNG production.

Egliabria 2 is a pioneer well in a frontier basin and it should be noted that the results from this well may not accurately reflect future production performance, schedules and costs. Armour has already identified a number of improvements which will be implemented in the next stimulated lateral well.

Egilabria 4 vertical well

Since encountering gas at the base of the Mesozoic Carpentaria Basin section, drilling proceeded to intersect the Lawn Shale as expected at 1,055 metres to the current depth of 1,312 metres with similar gas shows observed throughout the interval to the Lawn Shale in Egilabria 2. A stronger than expected buildup of pressure has been noted in a number of desorption canisters filled with Lawn Shale cuttings from the Egilabria 4 well. This substantiates the presence of a continuous gas-charged shale sequence between the two wells.

The drilling bit is currently being changed out prior to re-commencing air drilling to a planned depth of 1800m and is expected to test the prospective Riversleigh Shale in western ATP1087 which had gas shows of up to 2.5% in Desert Creek-1 in 1991.

No resource assessment has been completed for the Riversleigh Shale, potentially adding 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.

Basal Carpentaria Basin Conventional Prospects and Leads

Armour previously announced that it had also identified potential for the entrapment of oil and gas accumulations in the basal Jurassic sands of the Mesozoic Carpentaria Basin, where sand units overlay the Proterozoic sediments that include the gas bearing Lawn and Riversleigh Shales. The Company commissioned reprocessing of existing seismic data gathered by Comalco in the 1990's, and has now identified numerous leads, in addition to Egilabria 4, that have the potential to host hydrocarbon accumulations.

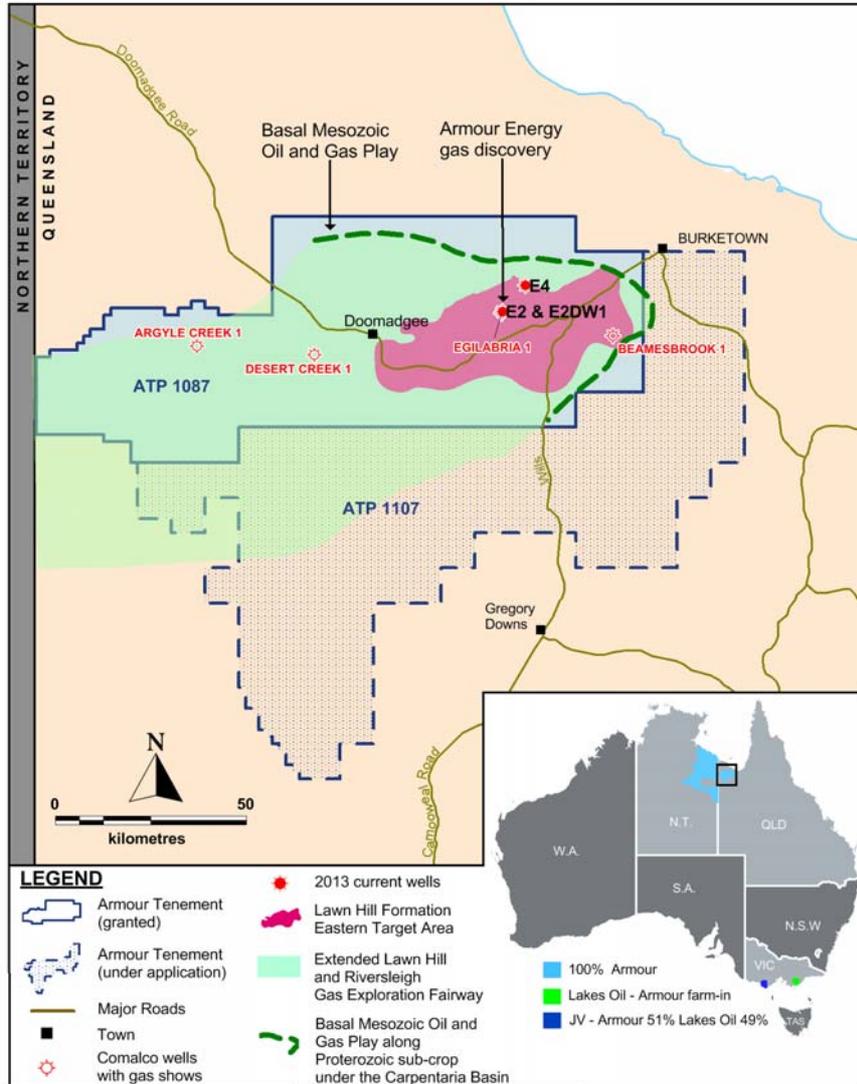


Figure 1: Location of Egilabria 2 and 4 well sites - ATP 1087, Queensland.



Figure 2: Egilabria 2 well site during hydraulic stimulation activities

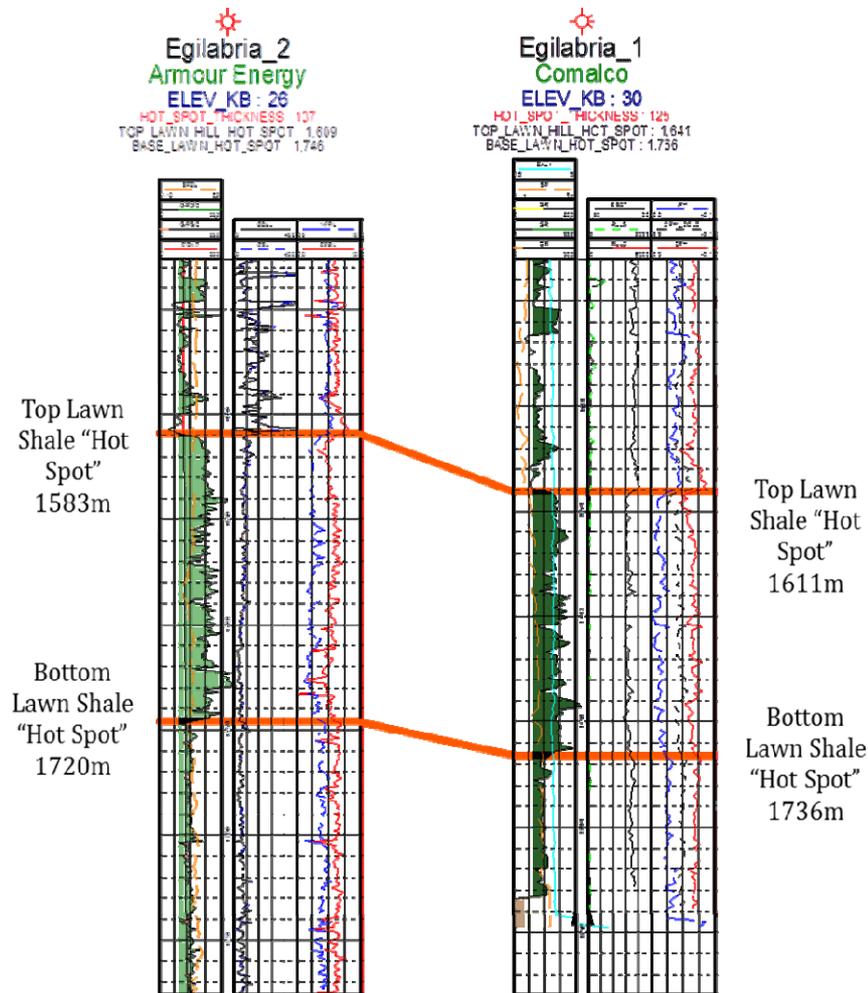


Figure 3 – Comparison of Log Sections between Egilabria 2 and Egilabria 1. The green shaded reading indicates the gas charged shale.



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).



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 Riversleigh 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.