

Armour Energy Limited

24 September 2013

Egilabria 4 Reaches Total Depth With Multiple Gas Shows Egilabria 2 Update – Cleanup Continuing Ahead of Production Test

HIGHLIGHTS

- **Egilabria 4 vertical well reached TD at 1,839 metres with gas shows in 3 prospective intervals.**
 - **Results to date prove the presence of gas off structure and continuous gas play in the Lawn Shale, a significant milestone in ATP1087.**
 - **Gas also encountered in the Riversleigh Shale and at the base of the Mesozoic Carpentaria Basin.**
 - **Well drilled on time and within budget.**
- **Egilabria 2 well flowing back post-stimulation fluids at steady rates ahead of gas production test to commence in the coming weeks.**

The Directors of Armour Energy are pleased to advise that the Egilabria 4 gas exploration well has reached total depth at 1,839 metres. The well was drilled on time and within budget, achieving all well objectives, and very good rates of penetration of up to 50m/hr with the use of air hammers.

The well first encountered gas at 344 metres through to 417 metres at the base of the Mesozoic Carpentaria Basin section, underscoring the prospectivity of that sequence in the areas of structural closure.

The next significant gas shows were encountered in the Lawn Shale Formation which was penetrated as expected between 1,060 and 1,200 metres. A stronger than expected buildup of pressure to 70psi was noted in a number of desorption canisters filled with cuttings from this interval. The purpose of using desorption canisters is to show that gas is being liberated from shale source rock cuttings taken from a tight reservoir that is yet to be stimulated. This technique is also used by the CSG industry to show that coal seams contain gas bound by water. Shale gas is tightly held in the shale and needs to have pathways created through hydraulic stimulation techniques, whereas CSG wells need to be dewatered to create pathways for the bound gas.

The presence of gas off structure at Egilabria 4 substantiates the presence of a continuous gas-charged shale sequence in the Lawn Shale Formation between Egilabria 4 and the on structure Egilabria 2 well. This is a key milestone towards proving a developable gas play within ATP1087.

The well continued on to penetrate the Riversleigh Shale Formation at a depth of 1,450 metres through to 1,700 metres. Significant gas shows were encountered in three separate zones of the Riversleigh Shale. Desorption canisters filled with cuttings from this interval at 1,495 metres developed pressure of 45psi after 3 days.

These results prove an additional unconventional shale gas target has been discovered off structure in the Riversleigh Shale Formation which may be projected down-dip to the Egilabria 2 well, which reached total depth at the base of the Lawn Formation.

Egilabria 2 update

Egilabria 2 continues to flow back post-stimulation fluids, and approximately one third of the total volume pumped during hydraulic stimulation has been recovered. Due to the large volume of fluids pumped into the stimulated formations, gas production will not commence until additional fluids are recovered. Clean up time on stimulated laterals can vary greatly and is dependent on a number of factors. Once gas production commences, it will be run through a test separator to accurately ascertain flow rates.

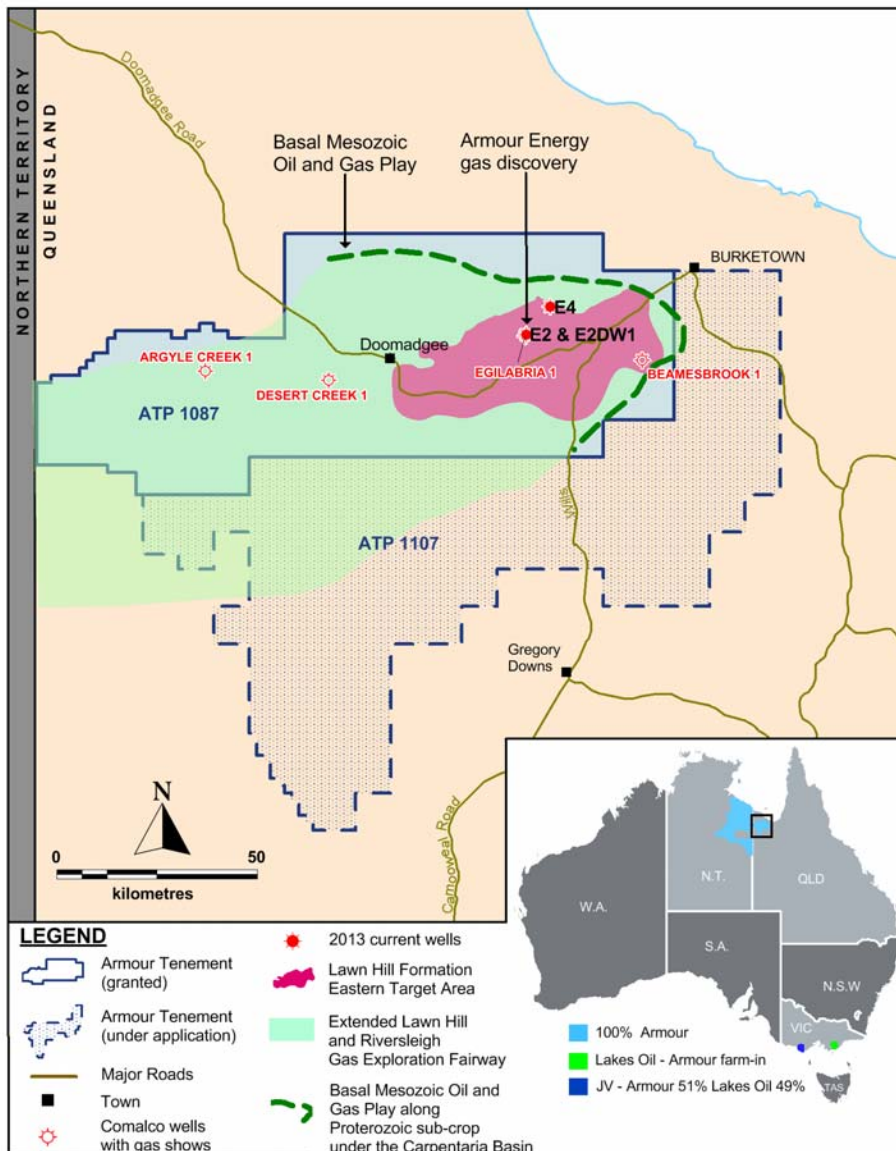


Figure 1: Location of Egilabria 2 and 4 well sites - ATP 1087, Queensland.

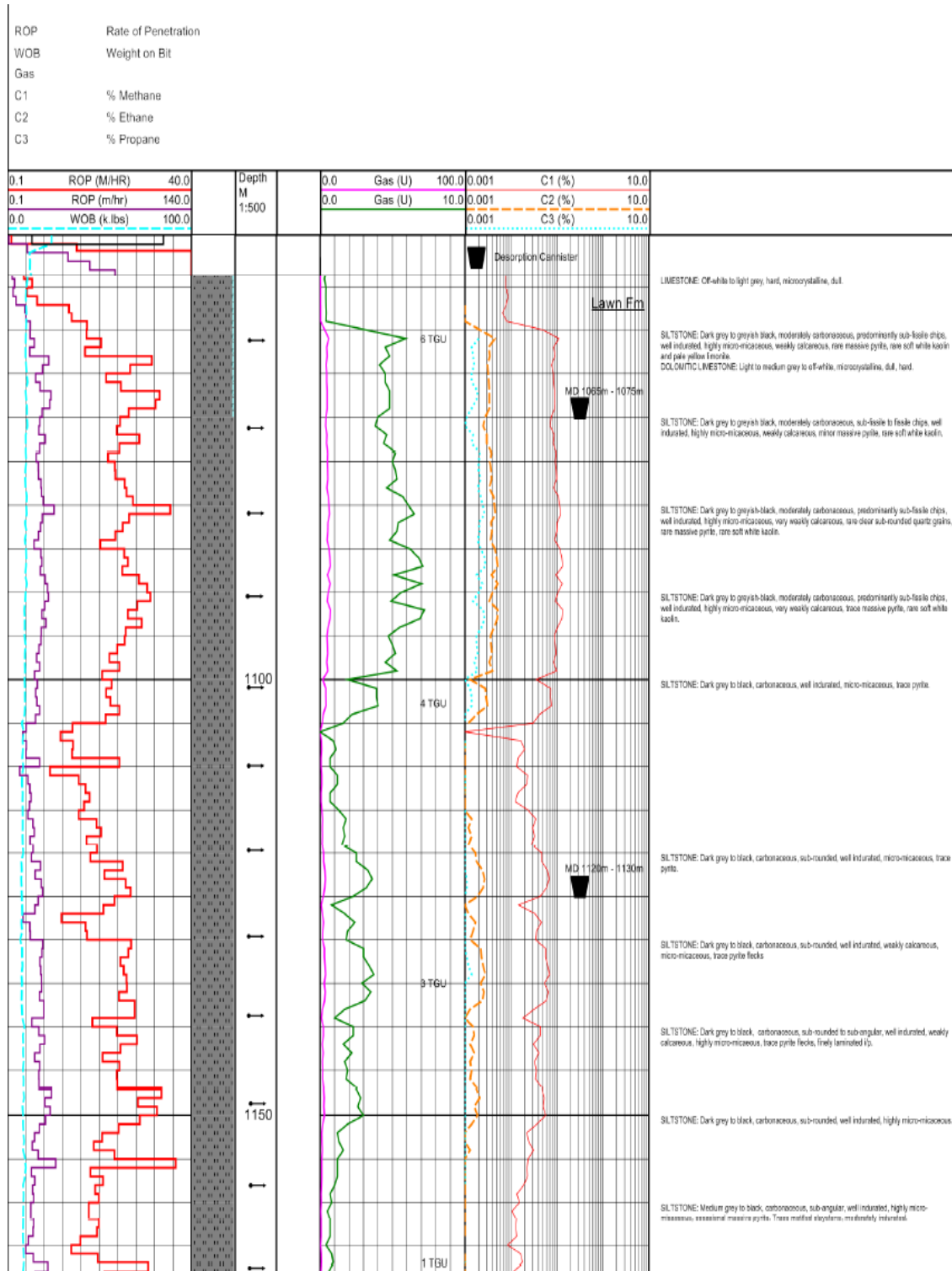


Figure 2: Lawn Hill Shale gas zone and location of desorption canisters that have built up pressure.

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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 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