

Armour Energy Limited

10 August 2012

Glyde #1 Lateral Well – A Significant Gas Discovery

Highlights:

- **Armour estimates continuing gas inflow rates during air drilling of approximately 3.5-4.5 million standard cubic feet per day equivalent based on open flow conditions at the flare line.**
- **Glyde #1 lateral is at 672 m measured depth and approaching the downhole location of historic 1979 GR-9 mineral exploration corehole in the Barney Creek Formation, McArthur Basin, Northern Territory.**
- **At 672 m, total gas readings, after dilution by compressed air used for drilling, have peaked at 28.5% Methane (C1), 4.1% Ethane (C2) and 4.0% Propane (C3), 0.23% n-Butanes (C4), 0.05% n-Pentanes (C5) with negligible Carbon Dioxide.**
- **Armour will now conduct a flow test to evaluate flow potential of Glyde #1 lateral.**

The Directors of Armour Energy Ltd (ASX: AJQ) wish to provide an update on the drilling of the Glyde #1 lateral well that is drilling in the 100% Armour Energy owned EP 171 in the Northern Territory. The well is located approximately 61kms south of McArthur River Zinc Mine in the Batten Trough of the McArthur Basin.

The Glyde #1 lateral well is currently being drilled sub-horizontally and is at 672m measured depth (MD) along the lateral hole length and approaching the downhole location of the historic 1979 GR-9 mineral exploration corehole in the Barney Creek at 695m (MD)(See Figure 1). Currently, the well is experiencing continued gas flows and flares during air drilling (see Figure 2). The well is currently penetrating the Barney Creek Formation near the historic GR-9 well location. Armour Energy estimates the gas flow rates based on dilution by compressed air used for air drilling, gas chromatography concentrations, and open flow conditions to flare (no choke, down flare line, 32 psi backpressure estimated) to be c. 3.5-4.5 million standard cubic feet per day equivalent. No water flow rates have been observed.

Continuous gas readings during drilling with compressed air were observed, with readings at 672m were 26% Methane (C1), 3.7% Ethane (C2) and 3.7% Propane (C3), 0.21% n-Butanes (C4), 0.05% n-Pentanes (C5) fractions with negligible Carbon Dioxide, based on gas chromatography.

Armour Energy will continue to evaluate flows and will conduct a flow test following approval from the NT Department of Resources. Armour Energy will provide further details following the conclusion of that test.

The key objective of the Glyde #1 Lateral well will be to provide repeated intersections of the existing natural fracturing in the Barney Creek Shale Formation and assess how this can be utilised to potentially provide commercial production from lateral wells drilled into the Barney Creek Shale Formation from the Glyde Sub Basin (see Figure 3), encompassing approximately 500km².

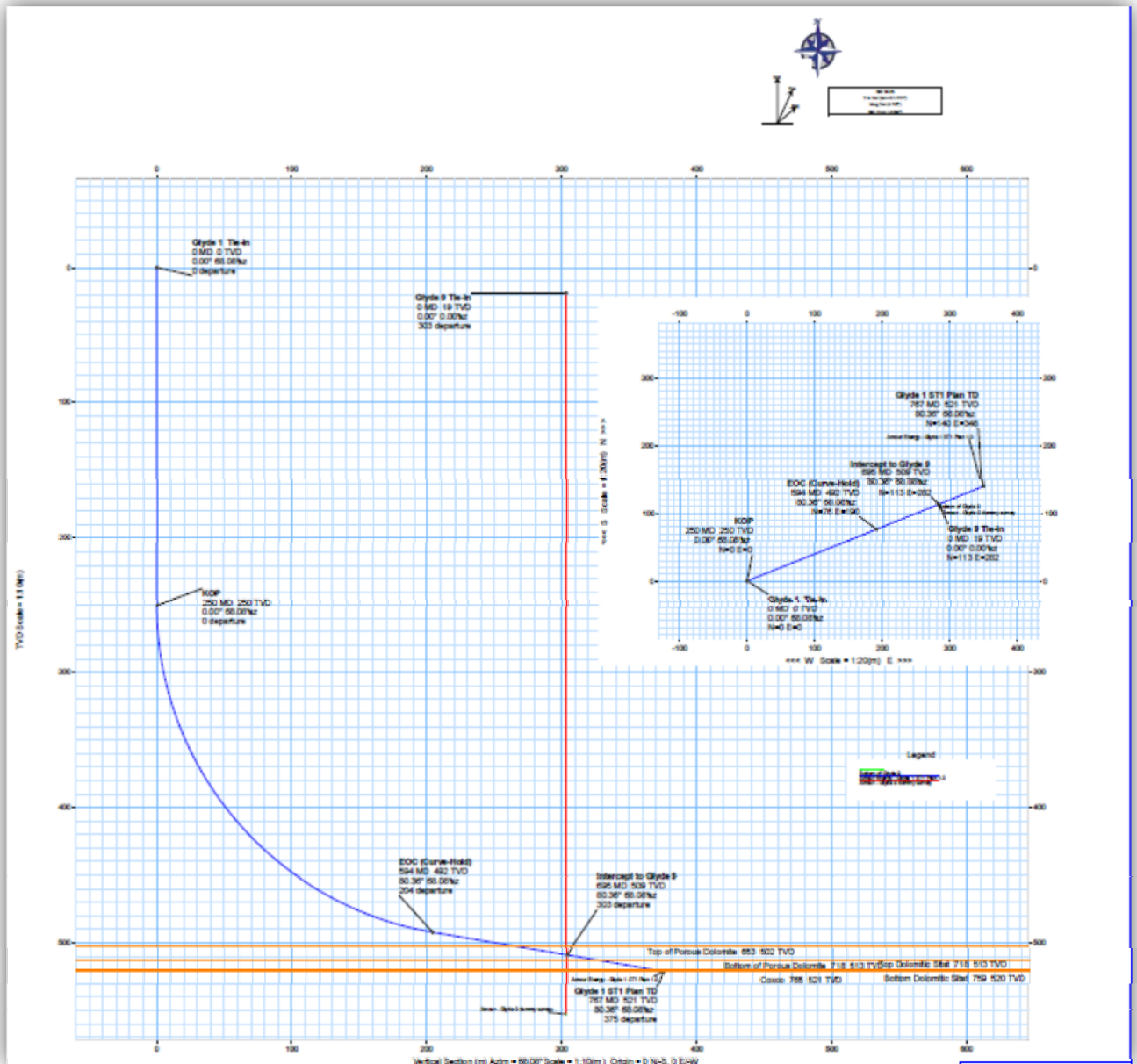


Figure 1: Planned Trajectory of Glyde #1 Lateral Well



Figure 2: Current Gas Flows at Glyde #1 Lateral Well

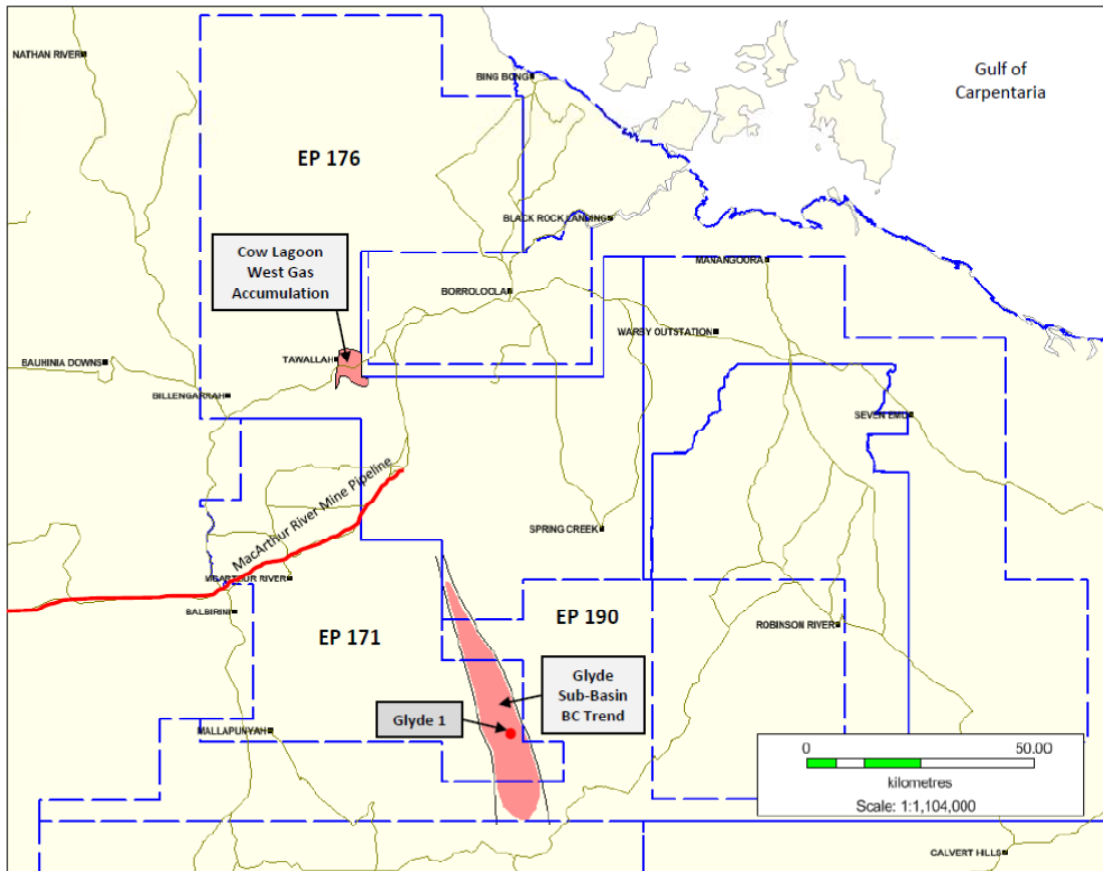


Figure 3: Glyde Sub Basin and Glyde 1 Lateral Well Location



A handwritten signature in blue ink, appearing to read "K. Schlobohm", with a long horizontal flourish extending to the right.

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 and this approach has led to speedy grant of its key tenements in the Northern Territory. The Company intends to continue to invest this effort.

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 CEO Mr Philip McNamara has been involved in the development of large coal projects, including most recently as managing Director of Waratah Coal, where he was instrumental in securing \$5.5 billion of financing for the proposed development of the Galilee Basin coal projects. 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 13
145 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