

Armour Energy Limited

13 August 2012

Testing of Glyde #1 Lateral Well Confirms Glyde Sub Basin Prospectivity

Highlights:

- Armour Energy has completed a flow test to evaluate the flow potential of the Glyde #1 lateral well.
- Flow testing has confirmed a flow of 3.33 million standard cubic feet per day equivalent (mmscf/d) at 125 psi pressure after 10 minutes on a 64/64 inch choke.
- Drilling of the Glyde #1 lateral well continues at 810m measured depth from the drill collar after intersecting and testing the estimated down hole location of the historic 1979 GR-9 mineral exploration core hole in the Barney Creek Formation, McArthur Basin, Northern Territory.
- The Glyde #1 lateral well has continued to encounter gas bearing formations from 648m to current 810m measured depth in the lateral well at a vertical depth of circa 500m. Drilling is continuing in gas bearing formations.
- The gas constituents defined from gas chromatography remain at approximately 77% Methane (C1), 11% Ethane (C2), 11% Propane (C3), 0.8% i+n-Butanes (C4), 0.2% i+n-Pentanes (C5) with negligible Carbon Dioxide.
- The test results substantiate a highly prospective resource area in the Glyde Sub Basin of approximately 500 square kilometres.
- Armour Energy will finish drilling and complete the Glyde #1 lateral well in preparation for future production testing.
- A short video of the gas flare taken during testing is available by [clicking here](#).

The Directors of Armour Energy Ltd (ASX: AJQ) wish to provide an update on the flow testing at the Glyde #1 lateral well that is currently being drilled 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.

A series of flow tests were performed on the prospective intersection of the middle-Proterozoic aged, Barney Creek Shale and the Coxco Dolomite Formations at a measured well depth of 648-810m and vertical depth of circa 500m. Further definition of these zones will be possible after completing the open hole geophysical logging. The well will then be completed in preparation for future production testing.

The gas constituents from this interval are 77% Methane (C1), 11% Ethane (C2), 11% Propane (C3), 0.6% n-Butanes (C4), 0.2% n-Pentanes (C5) with negligible Carbon Dioxide. This analysis is based on gas chromatography during drilling of the interval.

After 45 minutes of testing the total flow on a 16/64 inch choke from the Glyde #1 lateral well was 606 thousand standard cubic feet per day equivalent (mscf/d) at 412 psi pressure. A 30 minute, surface shut in, pressure of 554 psi was observed after flowing on a 16/64 inch choke.

After 10 minutes of testing with a full open choke of 64/64 inch, the Glyde #1 lateral well was flowing at 3.33 million standard cubic feet per day equivalent (mmscf/d) at a pressure of 125 psi. This reading validates the high unimpeded flow potential of this reservoir as observed during drilling with gas chromatography readings.

The key objective of the Glyde #1 lateral well is 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 in the Glyde Sub Basin (see Figure 4). This is a highly prospective resource area encompassing approximately 500km².

Drilling of the Glyde #1 lateral well has progressed to a measured depth of 810m with the well orientated close to a horizontal trajectory. The well has intersected the estimated down hole location of the historic 1979 GR-9 mineral exploration core hole in the Barney Creek Formation at 695m measured depth and has continued to maintain gas flow rates whilst drilling to 810m.



**Figure 1: Gas Flare during Testing at Glyde #1 Lateral Well
Measured Well Depth of circa 670m**

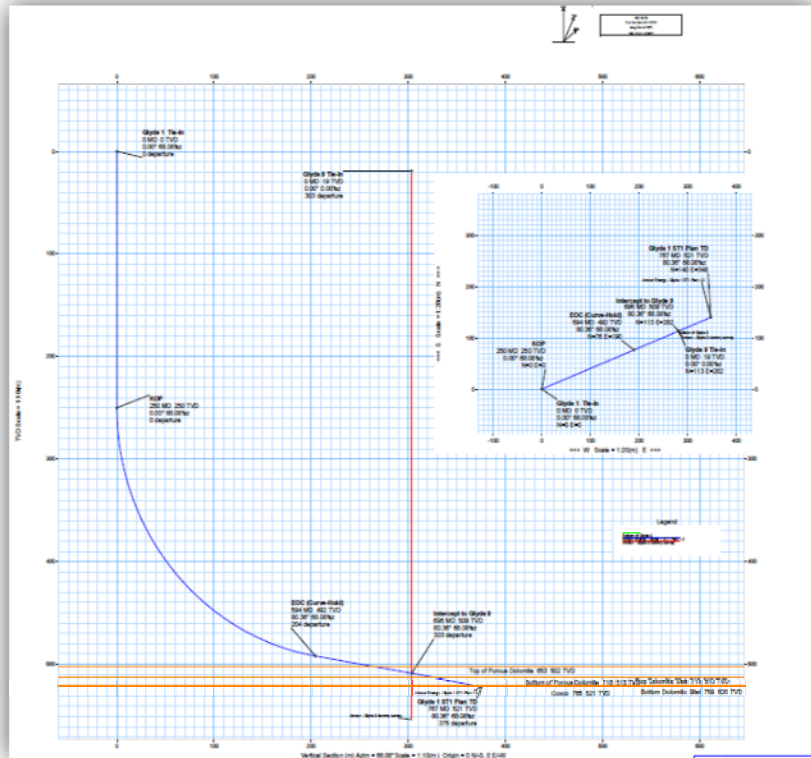


Figure 2: Planned Trajectory of Glyde #1 Lateral Well



**Figure 3: Gas Flare during Drilling with Compressed Air at Glyde #1 Lateral Well
Measured Well Depth of circa 770m**

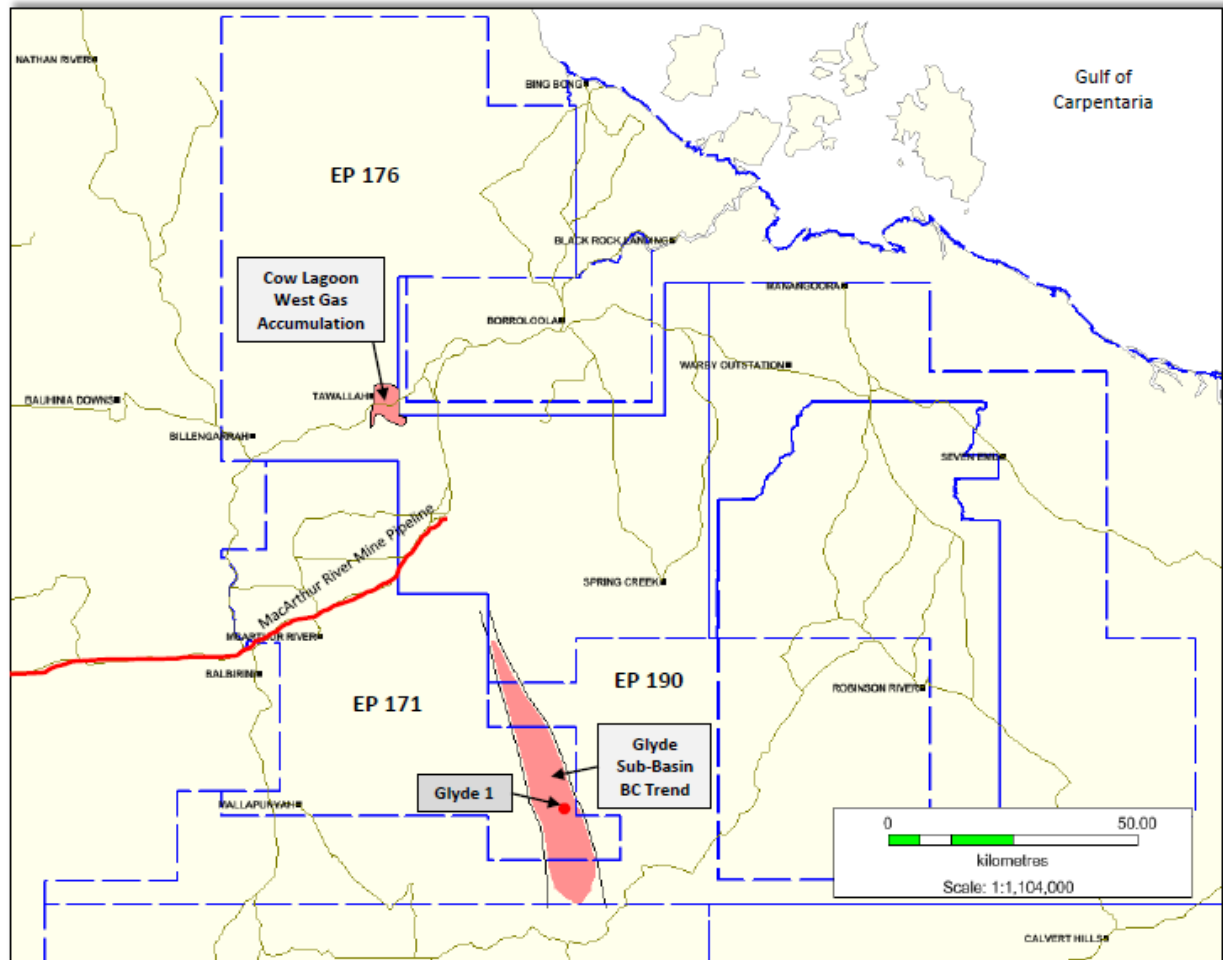


Figure 4: Glyde Sub Basin and Glyde #1 Lateral Well Location



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