

## Armour Energy Limited

7 August 2012

### Glyde #1 Well Update

#### Highlights:

- **Glyde #1 well drilled to 698 metres depth**
- **132 metre zone of highly carbonaceous, gas-charged, Barney Creek Shale intersected**
- **Continuous gas shows in dry shales with negligible Carbon Dioxide**
- **Lateral Well now being drilled to test gas bearing potential of vertical fractures in the Barney Creek Shale**

The Directors of Armour Energy Ltd (ASX: AJQ) wish to provide an update on the drilling of the Glyde #1 vertical well that has been drilled in the 100% Armour Energy owned EP 171 in the Northern Territory.

Armour Energy also wishes to advise that it has now commenced drilling of a highly deviated lateral well, Glyde #1 Lateral, from within the Glyde #1 well.

Glyde #1 was spudded on 27<sup>th</sup> July 2012 and was drilled to a total depth of 698 metres. The well intersected a continuous vertical section of 132 m of black, gas-charged, naturally-fractured, Barney Creek Shale before intersecting the Coxco Dolomite Formation. During drilling of the shale interval consistent background and peak gas readings were observed. The gas constituents were generally Methane (C1), Ethane (C2), Propane (C3) with some Butane (C4) and Pentane (C5). Carbon Dioxide levels were negligible and no water was encountered during drilling of the well.

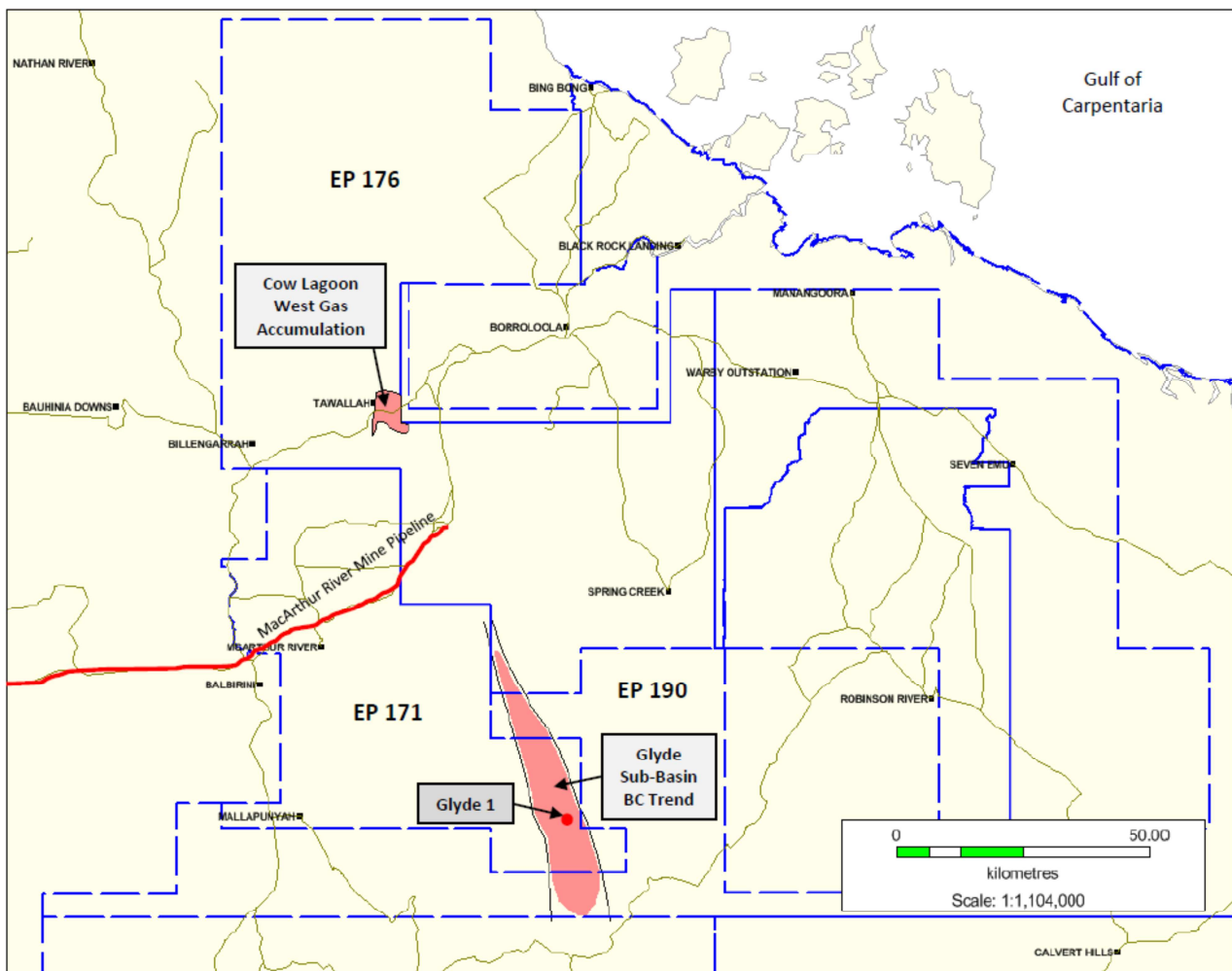
The Glyde #1 well was rotary drilled with compressed air. This proved to be efficient with high penetration rates and low drill bit wear confirming that the formation in the Glyde Sub Basin is conducive to low cost drilling operations in a repetitive production drilling scenario. The efficient vertical drilling results have confirmed that effective directional drilling can now be carried out in the Glyde #1 Lateral well. Cuttings samples were taken for further analyses of both gas and organic carbon content.

Gas flares were noted at the surface from the Barney Creek Shale Formation during reintroduction of compressed air after drilling downtimes. The Glyde #1 well was geophysically logged with the Barney Creek Shale Formation showing high gamma readings and log responses similar to other organic-rich shales. Numerous open natural fractures were also observed on resistivity-imaging tools during the logging. This provides Armour Energy with further confidence that the Barney Creek Shale Formation is the source rock and main contributor to the gas flows at the original GR-9 location that was drilled in 1979 and is located 300 metres to the East of Glyde #1.

The Glyde #1 Lateral well has been commenced from a vertical depth of 280m within the Glyde #1 well and will be deviated through a 250 metre vertical radius to a near horizontal inclination from where it will progress past the GR-9 well and continue to a planned total lateral distance of 600 metres. As with other wells the Glyde #1 Lateral well will be under balanced drilled using compressed air and then logged.

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 in the Glyde Sub Basin.

The Glyde Sub Basin extends for approximately 50km in a North South direction in the region (Figure 1) and has been the source of repeated gas shows through previous minerals exploration drilling. The base of the Barney Creek Shale Formation in the region is typically 500 metres to 700 metres deep and provides potential for shallow, low cost, production wells.



**Figure 1: Glyde Sub Basin and Glyde 1 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](http://www.armourenergy.com.au)