

## **Armour Energy Limited**

**17 July 2012**

### **Kilgour North #1 Well Update**

#### **Drilling Suspended and Drill Rig Being Relocated to the Glyde Site**

The Directors of Armour Energy Ltd (ASX: AJQ) wish to provide an update on the drilling of the Kilgour North #1 well in EP171 in the Northern Territory.

The well was spudded on 23<sup>rd</sup> June 2012 and a surface casing set to 319 metres. Drilling out from the surface casing commenced on 29<sup>th</sup> June and had progressed to 1046 metres by the 6<sup>th</sup> July. During this phase of drilling, two water bearing zones were intersected in the porous and permeable reservoir units of the Lynott and Reward Formations at approximately 350 metres and 750 metres depth.

At 1046 metres a decision was made to log and case the well to reduce water inflow into the well, as the water inflow was compromising the efficiency of the air drilling operation.

Drilling re-commenced from the bottom of the cased section of the well in dry drilling conditions and continued to 1142 metres where a further high water inflow zone was intersected with an inflow of approximately 10 litres per second.

Based on these repeated water inflows, a decision was made to suspend drilling of the Kilgour North #1 well and relocate the drilling rig to the Glyde drill site. The Kilgour North #1 well was further logged and then suspended in a manner where it can be re-entered as required.

The Glyde drill site is the location of the gas flow discovery that was made in 1979 by Amoco Minerals when exploring for zinc in the Glyde sub Basin. The 1979 gas flow occurred from the Coxco Dolomite located immediately below the Barney Creek Shale at approximately 500 metres depth.

Over the last 2 months Armour Energy has built an access road to the Glyde site and constructed a drill pad ready for operations. The Glyde well is expected to spud on 23<sup>rd</sup> July with a deviated well.

Results at Kilgour to date confirm the presence of reservoir quality porous and permeable units in the Lynott Formation and Reward Dolomites. Gas and oil shows encountered indicate primary charge of these reservoirs but subsequent water inflows have flushed out and oxidized the hydrocarbons.

Armour Energy is currently reassessing target definition using mapping and reprocessed seismic, and has identified several additional drill targets with gas potential in the Lynott and Reward Formations. A drill program focused on fast air drilling, coring and testing of any gas flows encountered is planned.



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)