

Armour Energy Limited

10 May 2012

Moreys 1 Encounters Tight Gas and Condensate

Armour Energy and Lakes Oil to Spud New Well in PEP166

Armour Energy Ltd (AJQ) wishes to provide an update in relation to the Moreys 1 well in PEP 169, located onshore in the Otway Basin, Victoria.

Moreys 1

Drill Stem Test 2 (DST#2) conducted over the interval 1985.5 – 1995.5 metres flowed gas to surface before fading out over a 3 hour period. In addition, upon reverse circulation, condensate was recovered and has been sent for analysis. At this stage, the liquids are believed to have significantly impeded the gas flow.



Photo 1 - Gas flare from drill stem testing Eumarella Formation sand lense 1985 -1995m in Moreys 1, PEP 169, Otway Basin, Victoria.

This flow is typical of tight gas encountered in similar gas bearing sands in the Eumeralla Formation and potentially opens up the possibility of tight gas across a wide area of the Otway Basin as has been predicted by several other companies with leases in the onshore Otway Basin of Victoria.

In addition, the discovery supports the potential for gas and condensate reservoirs in the Strzelecki Group in the Gippsland Basin.

In Moreys 1, multiple tight gas sands were encountered throughout the Eumeralla Formation, with the best zone being the interval between 1985.5-1995.5 metres.

Lakes Oil and Armour Energy will now re-evaluate this permit with a view to assessing its potential for tight gas in the Eumeralla Formation as well as the Waarre Sandstone.

The primary target in this well, the Waarre C sands which produced to the south in commercial quantities on other tenements in which Armour Energy has no interest appears to be tight in Moreys. This does not downgrade these sands in other targets which Lakes has identified in the southern portion of PEP169.

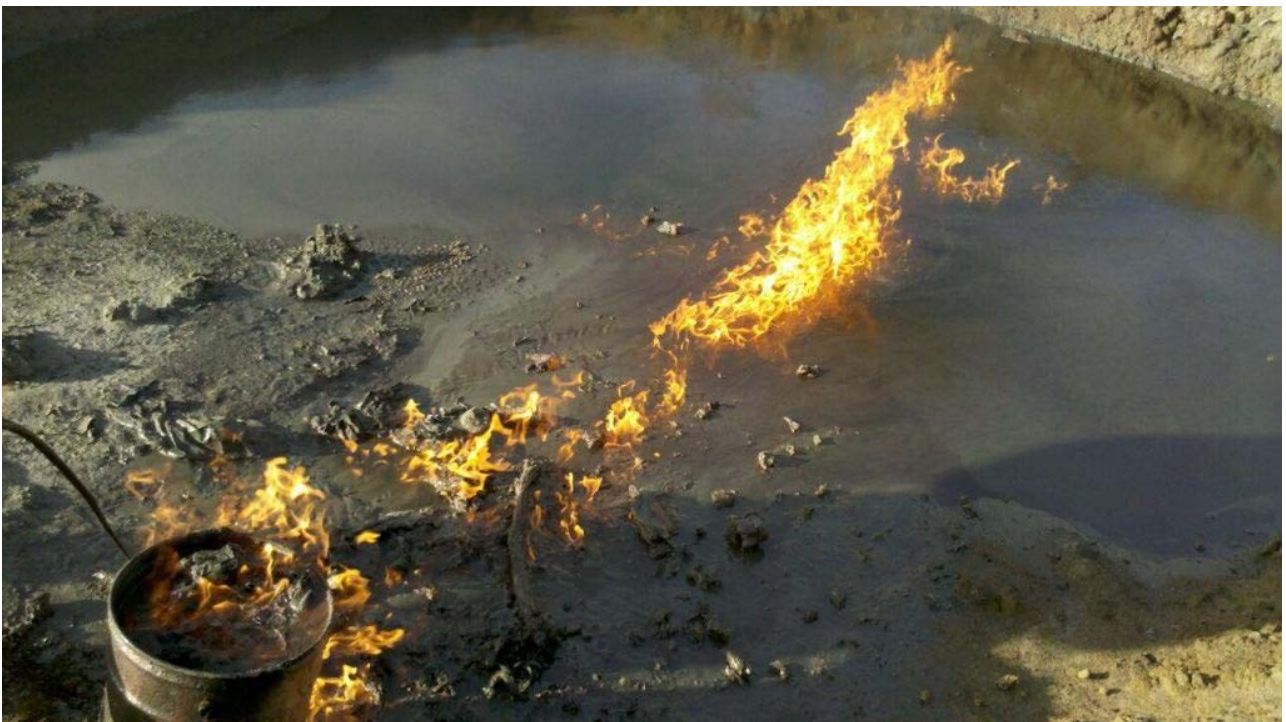


Photo 2 - Condensate burning in the Moreys 1 Flare Pit.

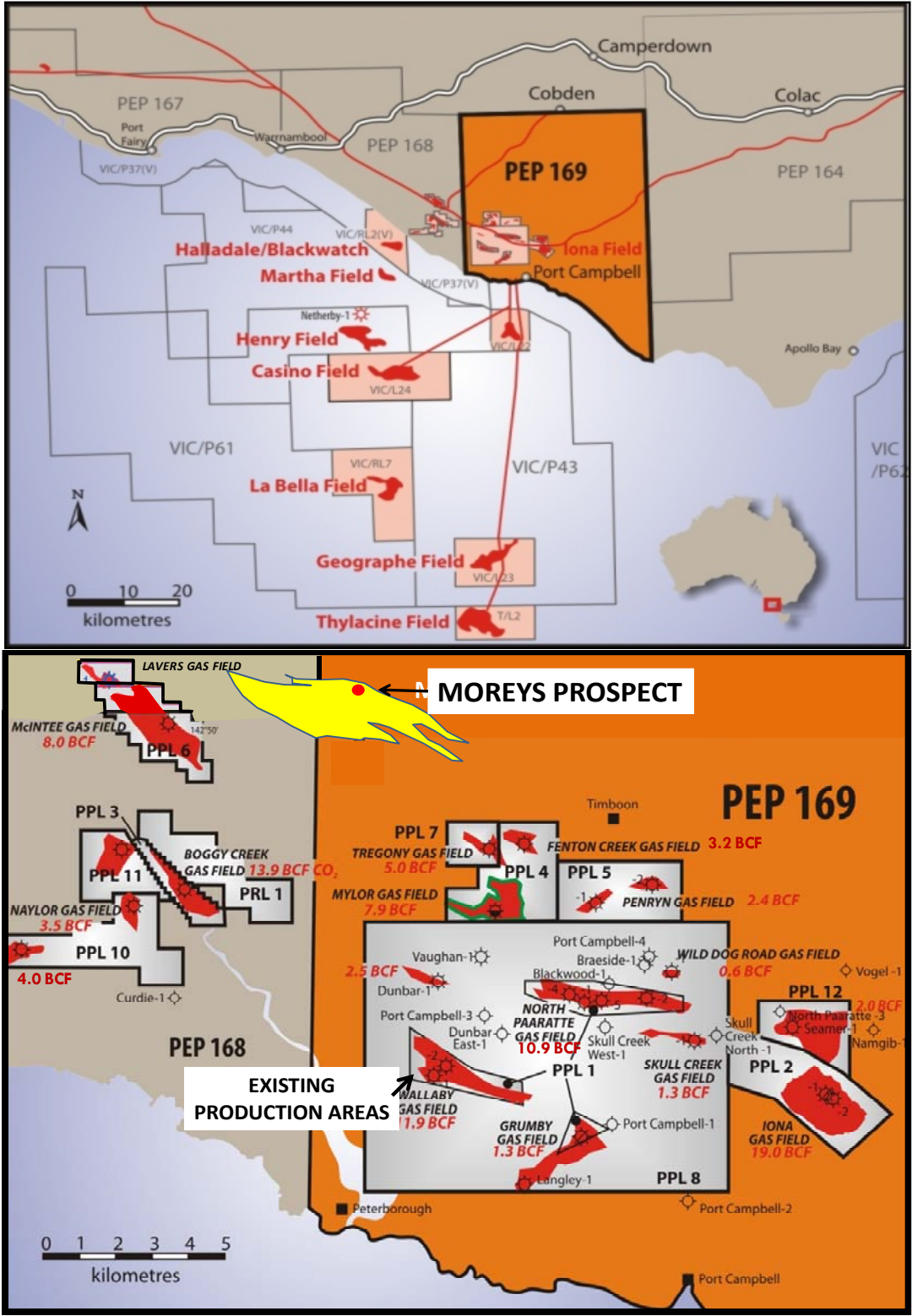


Figure 1 – Location Map of PEP169.

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@armouenergy.com.au
 www.armouenergy.com.au

Moreys 1 is being operated by Lakes Oil and funded by Armour Energy to a cost of \$2.5M to earn a 51% interest in Lakes Oil's PEP169. Armour Energy has now completed this expenditure and earned this interest.

Moreys 1 drilling has now been completed and the rig will move shortly to PEP166 in Gippsland to begin drilling Holdgate 1 to a proposed depth of 2500m.

Holdgate-1 will be funded by Armour Energy as part of its program to earn a 25% interest in Lakes Oil's PEP166 as part of its program to earn a total 51% interest in the area. This well is expected to spud on 20th May 2012. Holdgate 1 is designed to test gas seen in the Strzelecki section of other wells drilled in the region as well as assessing the potential for oil in the lower Strzelecki Group / Rintouls Sandstone which was encountered in Lakes Oil's recent strategic core-hole Yallourn North 1A.

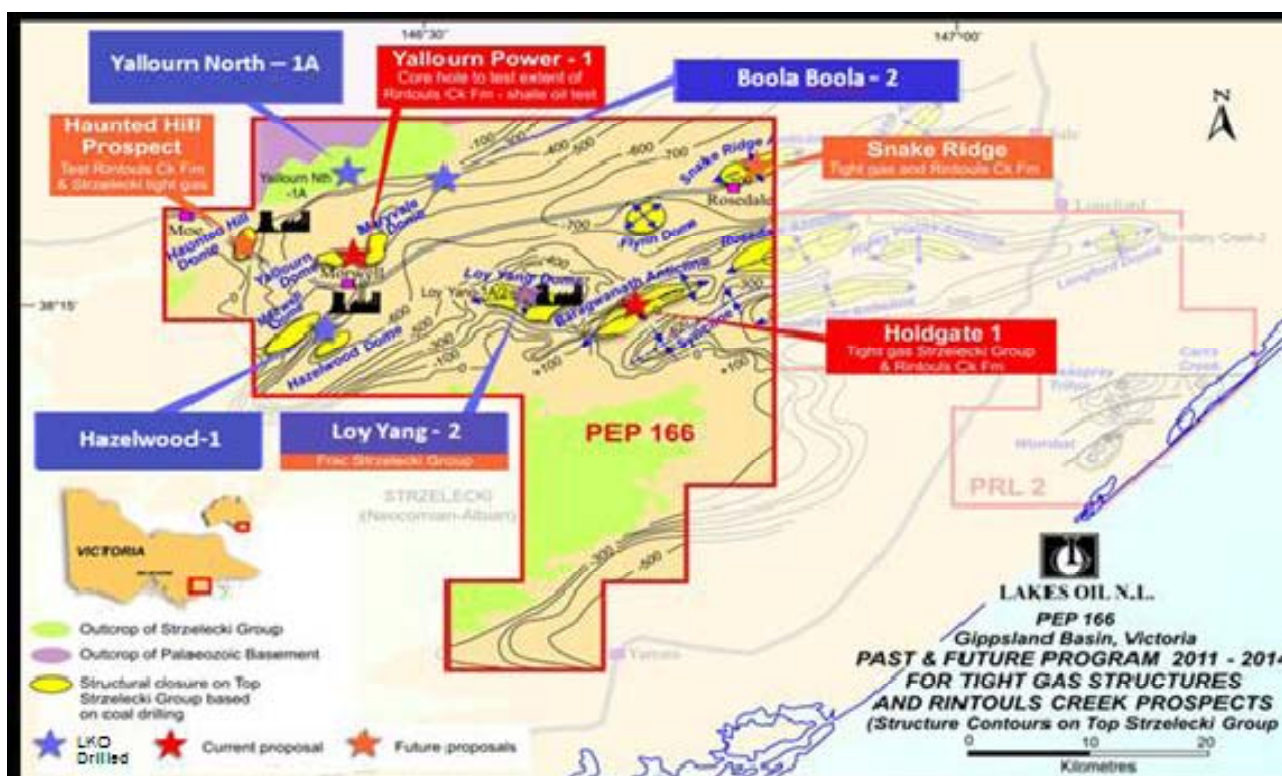


Figure 2 – Location Map of PEP166.



On behalf of the board
Karl Schlobohm
Company Secretary

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@armouenergy.com.au
www.armouenergy.com.au



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