

Armour Energy Limited

26 November 2014

**Memorandum of Understanding
with Aeon Metals Limited for Future Gas Supply to Aeon's Walford Creek
Project**

Highlights:

- **MOU signed for gas supply to Aeon Metal's Walford Creek Project in North West Queensland.**
- **Annual gas supply volume expected to be 1 to 2 Petajoules.**
- **Armour and Aeon Metals' projects are in close proximity and on similar development timelines.**

The Board of Directors of Armour Energy Ltd ("Armour"ASX:AJQ) is pleased to advise that the Company has entered a Memorandum of Understanding ("MOU") with Aeon Metals Limited ("Aeon Metals") relating to gas supply from Armour's exploration tenements in North West Queensland to Aeon Metals' Walford Creek Project.

Aeon Metals' Walford Creek Project site is located approximately 10km North West from Armour Energy's 100% owned ATP1087 which covers 7,138 km² (1.8 million acres) (**Figure 1**).

The MOU relates to gas supply volumes of 1-2 Petajoules (or approximately 1-2BCF) per annum. Pricing will be determined to ensure an acceptable return on invested capital for both Armour and Aeon Metals. In the event that Armour farms out its interests in its tenement to third parties, gas supply to Aeon Metals would only relate to Armour's retained equity in the gas project, unless a future upstream partner elects to participate pro rata in the sale of gas to Aeon Metals.

ATP1087

ATP1087 is believed by Armour to be part of the most promising shale gas prospect in Australia to date. During recent operations, Armour achieved continuous flaring of gas from its Egilabria 2 well which proved, for the first time in Australia, that horizontal well technology, together with hydraulic stimulation, can flow hydrocarbons to surface from the Lawn Shale (**Figure 2**). Total Organic Carbon (TOC) contents from these shales are world class and among the highest TOC of any shale play in Australia. Gas samples from previous sample collecting and testing activities indicate more than 90% methane, carbon dioxide content of less than 2% and helium content of approximately 1%.

The vertical exploration well Egilabria 4, drilled in 2013 by Armour penetrated the Riversleigh Shale Formation below the Lawn Shale Formation. The analysis of results from Egilabria 4, combined with other data gathered to date including from Egilabria 2, has concluded that both the Lawn and Riversleigh Shale Formations are highly prospective.

The Lawn and Riversleigh Shale Formations are expected to have large, continuous fairways estimated to be 1,500 km² and 4,000 km² respectively. The Lawn Shale in ATP1087 contains a best estimate gas prospective resource of 18.7TCF (MBA, November 2011). Armour believes that basin depocentres at significantly greater depths within these plays will yield substantially improved results compared to Egilabria 2, as a result of higher pressures in the depocentres.

Armour is evaluating forward programs to determine 3C contingent gas resources across the entire Lawn and Riversleigh Shale fairways within ATP1087. Third party independent certifier SRK Consulting estimates Contingent Resources relating to the Lawn Hill Shale Formation in Egilabria 2 of 364BCF 3C; 154BCF 2C; 33BCF 1C relating to a 64km² area around Egilabria 2 (SRK Consulting, July 2014).

Commenting on the signing of the MOU with Aeon Metals, Armour's CEO Robbert de Weijer said *"Armour and Aeon Metals both have ambitions to undertake significant new projects in the North West Queensland region north of Mt Isa. Given our close proximity and similar development timelines, working together we can enhance the value of both these projects, while benefitting local communities and the State of Queensland as a whole through the jobs and economic development they will create. We are very pleased to begin this relationship with Aeon Metals who will be another important gas customer for Armour's project in ATP1087."*

Aeon Metals and the Walford Creek Project

Aeon Metals (ASX:AQR) is an ASX listed company with interests in a regionally extensive base metals tenement package in the Mount Isa and Constance Range areas of northwest Queensland. The most advanced of Aeon Metals' projects in North West Queensland is the Walford Creek Project, where work completed to date has defined a poly-metallic JORC compliant resource, with step out drilling continuing to expand the initial resource base (**Figure 3**).

The Walford Creek Project has a clear pathway to project development with the potential for an open pit mine development of world scale. The 2014/2015 drilling program at Walford Creek has identified and delineated extensions of the existing mineralisations. Metallurgical studies are underway form part of the mining parameters that will ultimately support a feasibility study.

Aeon Metals Managing Director Hamish Collins said *"Aeon's Walford Creek Project is an exciting new base metals opportunity for Queensland. As part of our clear focus on completing a feasibility study I am very pleased to be working with Armour Energy to achieve a new economic source of gas-fed energy for our business."*



On behalf of the board
Karl Schlobohm
Company Secretary



Competent Person's Statement

The resources information in this ASX release is based on, and fairly represents, data and supporting documentation prepared by, or under the supervision, of Dr Bruce McConachie. Dr McConachie is a Principal Consultant of SRK Consulting (Australasia) Pty Ltd and has a PhD (Geology) from QUT and is a member of AusIMM, AAPG, PESA and SPE. The resources information in this ASX announcement was issued with the prior written consent of Dr McConachie in the form and context in which it appears. Resource estimations were prepared by SRK Consulting in accordance with the definitions and guidelines of the 2007 Petroleum Resources Management System (SPE, 2007). Additionally, the PMRS Guidelines 2011 were used to distinguish the Contingent Resources from quantities that should be classified as Unrecoverable. The SRK Consulting report documents the probabilistic methodology used to estimate the Contingent Resources.

It should be noted that the estimated quantities of petroleum that may potentially be recovered by the application of a future development project relates to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

All contingent and prospective resources are 100% to Armour Energy Limited.

For further information contact:

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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.

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.

Further information regarding Armour Energy Limited is available on the Company's website at www.armourenergy.com.au

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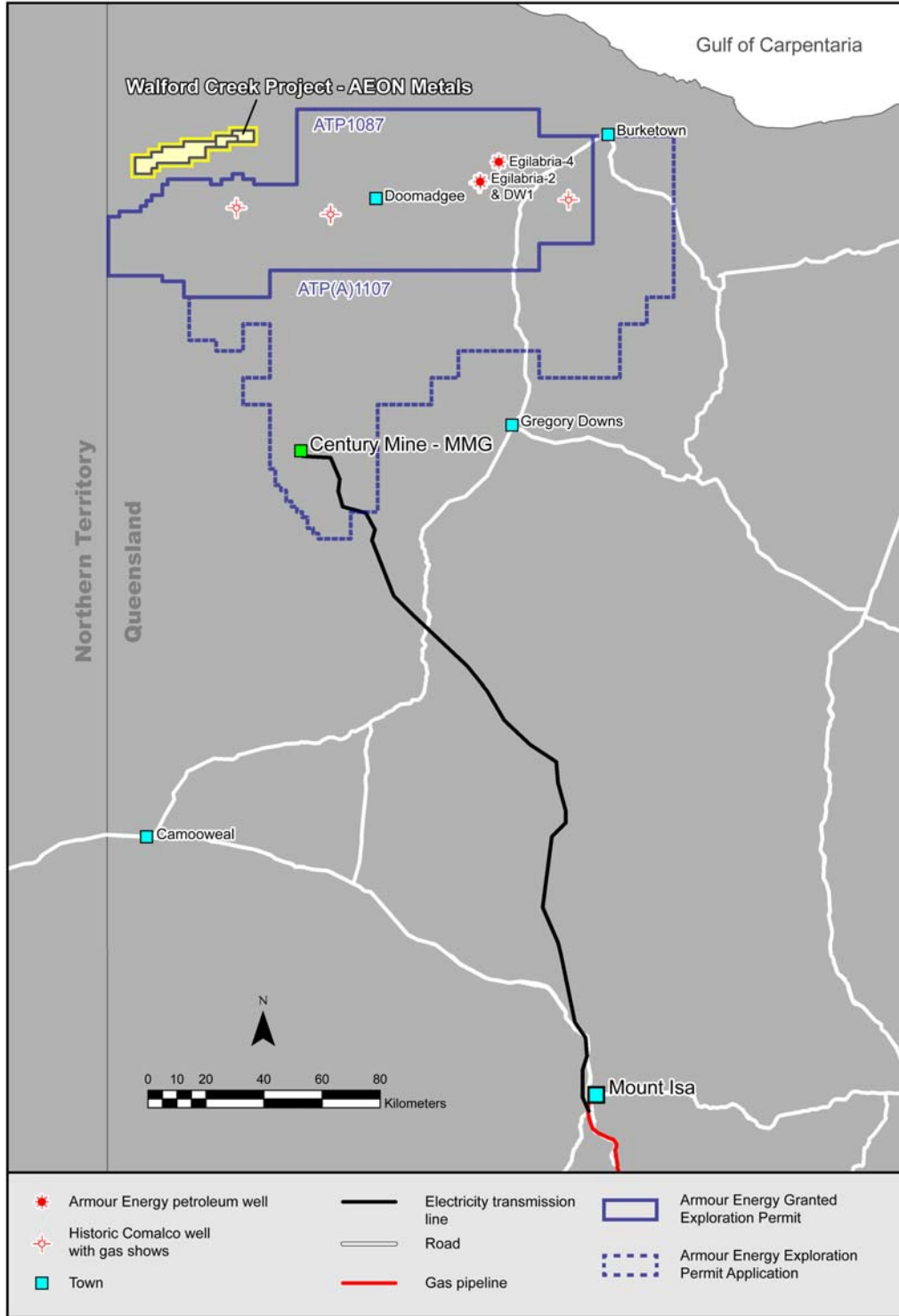


Figure 1: Location of Aeon Metal's Walford Creek Project and Armour's Queensland ATPs



Figure 2: Egilabria 2 well - ATP 1087, Queensland on 8 October 14.

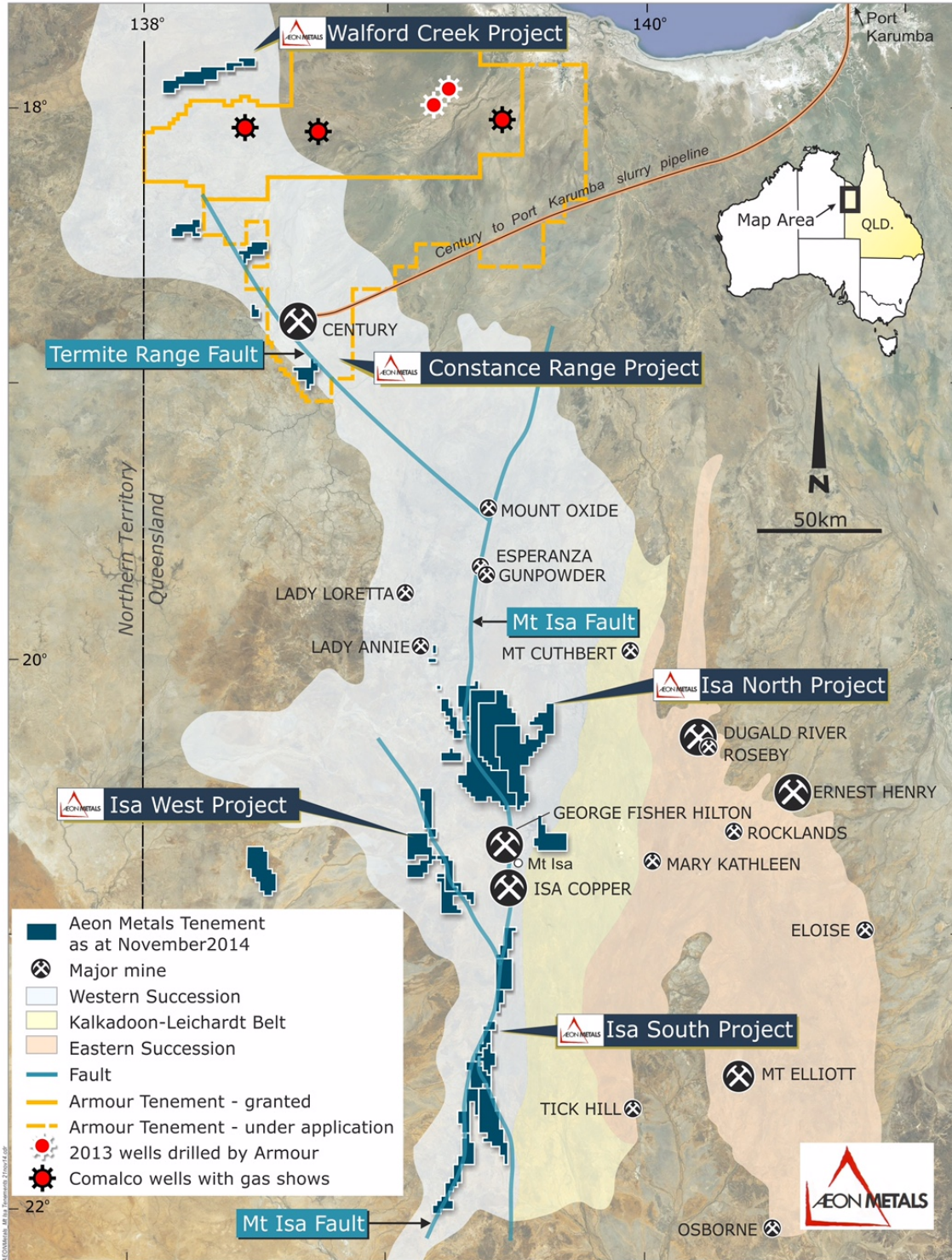


Figure 3: Location of Aeon Metal’s Northwest Queensland projects

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