

Armour Energy Limited

17 July 2014

Memorandum of Understanding with MMG Century Pty Ltd for Future Gas Supply to MMG's Queensland Operations

The Board of Directors of Armour Energy Ltd ("Armour" ASX:AJQ) is pleased to advise that Armour has entered a non-binding Memorandum of Understanding ("MOU") with MMG Century Pty Ltd ("MMG") to work together towards gas supply arrangements from Armour's exploration tenements in North West Queensland to MMG's Queensland operations.

MMG's Century Lawn Hill mine site is located on Armour Energy's 100% owned ATP1107 which covers 7,943km² and is pending grant by the Queensland Government. ATP1107 lies adjacent and south of Armour's 100% owned ATP1087 which covers 7,138 km² (**Figure 1**). ATP1087 was granted on 1 January 2013.

On 16 July 2014, Armour Energy reported Contingent Resources of 364BCF 3C; 154BCF 2C; 33BCF 1C within ATP1087 relating to the Egilabria 2 DW1 (lateral) well drilled and hydraulically stimulated in 2013.

The initial stages of the MOU will involve a scoping study by the parties to evaluate project feasibility and economics of gas supply for potentially expanded on site power generation at MMG's Lawn Hill site, or development of new power generation facilities either on the Century mine lease or at greenfield sites between the mine and Mount Isa. Scenarios to be evaluated will include for MMG's current and possible future needs and potential third party customers' requirements.

The study will evaluate gas supply volumes of up to 7-9 Petajoules per annum plus an overlay for potential third party requirements. Pricing will be determined so as to achieve a minimum return on invested capital for both Armour and MMG while providing "most favourable" price status to MMG compared with other gas sales contracts signed by Armour (other than contracts with upstream equity participants). Should Armour farmout interests in its tenement to third parties, gas supply to MMG would relate to Armour's equity gas only, unless a future upstream partner elects to participate pro rata in the sale of gas to MMG.

The Century ore body, one of the most exciting base metals discoveries in Australia, has produced over 6 million tonnes of zinc in concentrate to date. While last production from the Century open pit is expected during 2015, MMG is continuing to investigate a number of options to further utilise its extensive infrastructure in the Gulf. An important driver of the feasibility of future projects for MMG is cost and availability of energy.

As previously reported, Armour has identified a number of stacked play targets within ATP1087 including conventional and underlying unconventional accumulations in the highly prospective Lawn Hill and Riversleigh Shales. Following historic gas flows from Australia's first lateral, multi-stage hydraulically stimulated well, Egilabria 2, in 2013, the Company continues to evaluate core and log data taken from the Lawn Hill and Riversleigh Shales in the Egilabria 4 well in 2013. 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 wells drilled to date show very high methane content, ethane, helium, and very little CO₂ and other inert gases.

Commenting on the signing of the MOU with MMG, Armour's CEO Robbert de Weijer said *"Armour and MMG have recognised the potential for mutual and significant value creation through the supply of gas from Armour's exploration acreage in North West Queensland to MMG's potential future operations in the region. This MOU is an important first step towards early monetisation and proof of concept for Armour's potentially enormous shale gas resources in the region."*

In June 2013, Armour announced a Heads of Agreement with APA Group to work together to facilitate the transportation of up to 330 Petajoules of gas per annum from Armour's Northern Australian gas projects to various markets in Mt Isa, Sydney and Gladstone. Stage 1 of this project involves a 320km pipeline connection to Mt Isa.

Mr de Weijer added *"The supply of locally produced and competitively priced energy to the Mount Isa region in Queensland which currently uses 35-40PJ per annum of gas has the potential to change the landscape for mining operators there who currently use either expensive diesel fuel or gas transported from large distances away and which is becoming more expensive and increasingly scarce."*

MMG General Manager Queensland Operations Mark Adams said *"We are very pleased to have commenced this working relationship with Armour Energy. Secure, cost-effective energy supply is critical to the further development of the region, and for MMG's ongoing investigations into future uses for its extensive north-west Queensland infrastructure."*



On behalf of the board
Karl Schlobohm
Company Secretary

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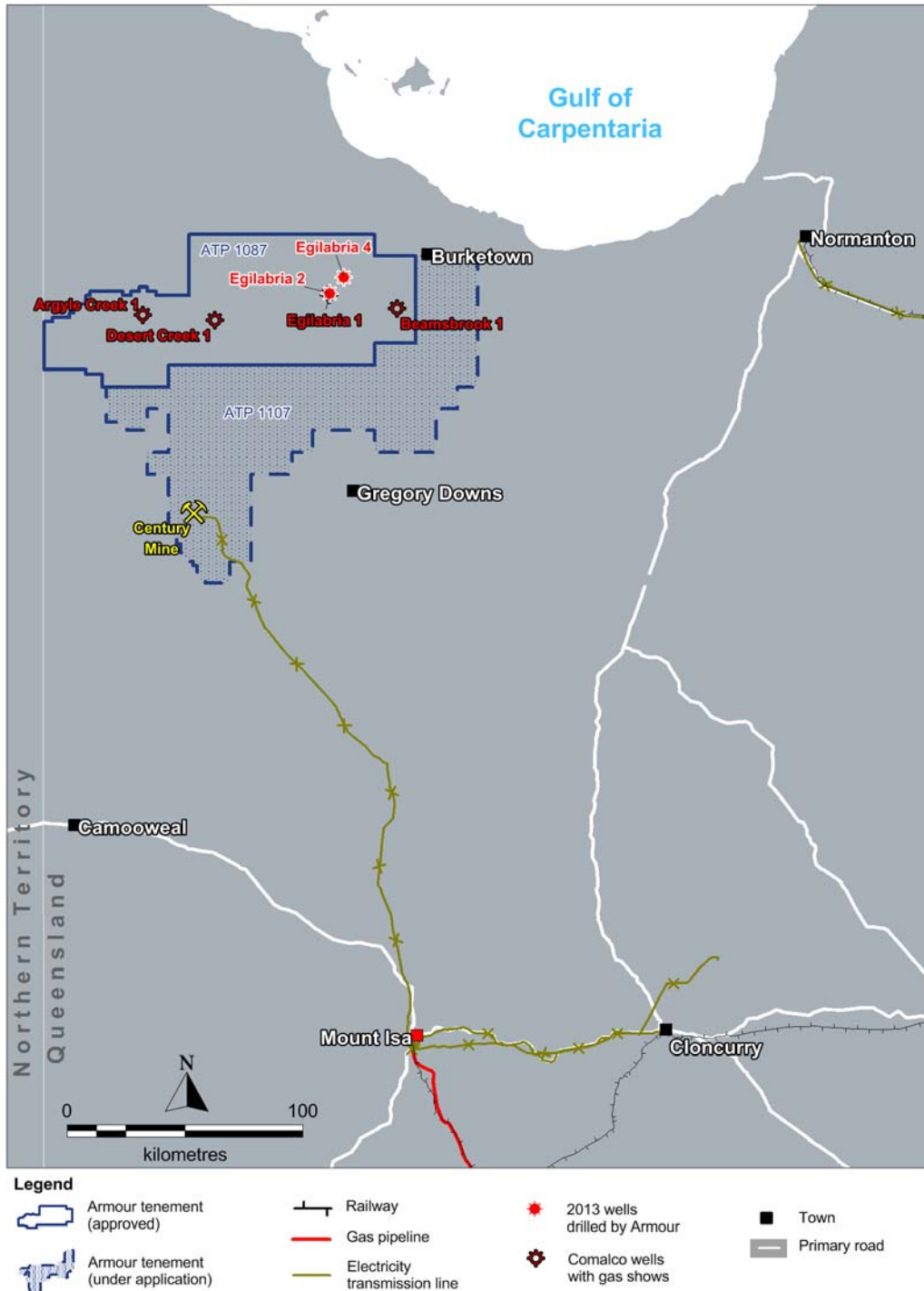


Figure 1: Location of MMG Century Mine and Armour's Queensland ATPs



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

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.

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