

Armour Energy Limited

26 June 2013

Heads of Agreement with APA Group for gas transportation services

The Board of Directors of Armour Energy Ltd ("Armour" ASX:AJQ) is pleased to advise that Armour has entered a non-binding Heads of Agreement with the APA Group Ltd ("APA" ASX:APA) to work together to facilitate the ultimate 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 Queensland.

Stages 1 and 2 of the Northern Area Gas Scheme (NORGAS) project will require the construction of 350 km of new gas transmission pipeline to transport up to 130 Petajoules per annum (PJ/a) of gas to Mt Isa from the project area south of Burketown. This gas will target the Mt Isa market with the balance transported via upgraded and pipelines facilities from Mt Isa to Ballera in South West Queensland, then on to Southern Markets and/or Wallumbilla in southern Queensland.

Stage 3 of the project will conceptually require construction of new, or upgrading of existing gas transmission pipelines from Mt Isa to allow delivery of nominally 200 PJ/a of gas to Gladstone, where the LNG industry is forecast to be short of gas required during the early stages of the LNG export projects.

The fourth stage of market development would see the interconnection of Queensland and Northern Territory gas markets and pipelines, through the use of APA's existing network of pipelines, expanding the pipelines where required and building new pipelines to deliver gas from the Queensland and/or Northern Territory reserves.

Pipeline construction by APA would be conditional on a number of key milestones being met by both Armour and APA including certification by Armour of sufficient gas resources, completion of conditional gas sales contracts, and securing production licences and project development funding.

Armour aims to have between 7.5 to 9 Tcf of 3C Contingent Gas Resources by 30 November 2015 for its North Queensland project area, covering the South Nicholson and Isa Super Basins and parts of the overlying Carpentaria Basin in Queensland. Armour also aims to have over 4 Tcf of 3C Contingent Gas Resources in the Batten Trough of the Macarthur Basin and part of the Georgina Basin in the Northern Territory.

Independent Experts, MBA Petroleum Consultants, have prognosed in excess of 40 Tcf of Mean Prospective Gas Resources in Armour's granted project areas, which comprise just 27% of the total area that Armour has under application. Armour has defined in excess of 100 conventional and unconventional targets across its combined Queensland and Northern Territory project areas.

Armour is presently drilling the Egilabria 2 well near Burketown, north of Mt Isa. The Egilabria 2 well is specifically designed to test the Lawn Shale formation, from which strong gas shows (over 8% gas in mud logs) were experienced during a 4 hole mineral-exploration drilling campaign carried out by Comalco in 1991. Armour also plans to drill three exploration wells in the Northern Territory to follow up on gas flows of up to 3.3 MMcfd that were achieved last year from the Glyde 1 lateral well in the Macarthur Basin, south of the Macarthur River mine.

Armour has identified potential capital cost advantages for the NORGAS scheme, based upon the depth and productivity of wells to be drilled and their close proximity to APA's existing pipeline networks. The Heads of Agreement with APA provides a strong basis for the assessment of the feasibility of the scheme and provides a foundation for an ultimately unconditional gas transportation agreement with APA through new and upgraded gas transmission pipeline infrastructure. Successful development of Armour's acreage and expansion of APA's network will see the NORGAS project make a valuable and strategically important contribution to supply of gas both for southeastern Australian domestic gas markets and existing export LNG markets in Northern Territory and Queensland.

Armour is targeting February 2016 for the delivery of first gas from Armour's north Queensland project area into the proposed NORGAS infrastructure. The NORGAS pipeline infrastructure is expected to be built owned and operated by APA.



On behalf of the board
Karl Schlobohm
Company Secretary

The resource estimates used in this announcement were, where indicated, compiled by MBA Petroleum Consultants, and detailed in the Independent Expert's Report, Replacement Prospectus dated 20 March 2012 for Armour Energy (Chapter 9).

Raymond L Johnson Jr., General Manager Exploration and Production for Armour Energy, is qualified in accordance with the requirements of ASX listing rule 5.11 and has consented to the use of the resource figures in the form and context in which they appear in this announcement.



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.

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 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

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