



Armour Energy Limited

17 August 2017

Kincora Oil & Gas Project Update

The Board of Directors of Armour Energy Limited (“Armour”, or “the Company”, ASX: AJQ) is pleased to provide an update on progress towards the restart of gas production from the Company’s Kincora Project.

Kincora Project Gas Production Restart Program Update

Armour is pleased to advise that its planned program for the restart of gas production at the Kincora Project is progressing in accordance with the previously announced 2 phase plan, as follows:

- Phase 1 involves commencement of gas production initially from the Newstead storage facility and then from various other wells across the fields that were last in operation. Following commissioning, it is planned to commence production at 5 TJ/d from stored gas in the Newstead facility and increase to 9 TJ/d with the recommencement of production from the other wells.
- Phase 2 will involve the drilling of new wells plus workovers and stimulations of existing wells to achieve a ramp up of gas production during 2018 to the limit of the Kincora Gas Plant.

The Phase 1 work being carried out to enable the restart of gas and liquids production involves three main components, namely:

- 1) the Kincora Gas Plant and associated facilities;
- 2) the pipeline from Kincora to Wallumbilla (PPL3); and
- 3) the end of line facility at Wallumbilla which is located where PPL3 connects to APA’s Roma-Brisbane-Pipeline (RBP).

Restart work at the Kincora Gas Plant and associated facilities is progressing well and is on track to produce first gas by the end of September 2017.

Restart work on the pipeline from Kincora to Wallumbilla (PPL3) is well progressed. Rectification requirements identified by an intelligent in-line inspection of the pipeline were as anticipated (12 dig ups and repairs) and have been completed. The remaining work to complete prior to restart of PPL3 involves laboratory testing of a sample of the steel from the last section of pipeline (a section of approximately 300m, classified as ‘Industrial’) to ensure it was manufactured to legislative compliance. Completion of Pipeline Management System (PMS) documentation is also underway. The outcome of the pipe material test, currently being undertaken, will determine whether remedial work is required on this section of the pipeline. Armour will update the market once the test results are known.

Restart works on the the end of line facility at Wallumbilla are well progressed and planned to be completed by mid-September.

Phase 2

Armour has identified a number of exciting targets to tap the 57 PJ of undeveloped (2P) reserves in the Kincora Project area (refer ASX release of 3 April 2017 for full details), and planning for drilling of new wells has commenced. Firm commitments for the drilling of new wells, such as drilling rigs and well hardware, will be made when first gas sales revenue is assured.

The Company anticipates that drilling of new wells will come onstream around the end of Q1 2018 when sales gas production is expected to build to the limit of the Kincora plant which we currently anticipate to be around 15 TJ/d. Opportunities for debottlenecking the overall Kincora facilities and catchment system are under review to increase sales capacity to at least 20 TJ/d.

Gas sales, marketing and Newstead storage

The restart of the Kincora Project is now targeting first gas sales from the Newstead storage facility by the end of September 2017. This is subject to the successful outcome of the pipe material test results mentioned above.

Armour's gas sales agreement with APLNG is for the supply of up to 3.65 PJ/a of gas for a minimum 5 year period which remains subject to the satisfaction or waiver of a condition precedent by APLNG in relation to gas transportation arrangements. Armour is now also evaluating options for sale of gas beyond the committed APLNG sales. Potential buyers include LNG producers, a wide range of industrial customers, wholesale customers and traders.

The Newstead storage facility currently holds approximately 2.3 PJ of treated (ie sales quality) gas that will require minimal re-processing (compression and dehydration) before it can be sent to market at Wallumbilla. Recent samples of Newstead gas have been analysed to confirm its sales quality. The Newstead storage facility provides significant benefits through flexibility of operations plus commercial benefits through providing:

- back-up capacity when upstream production facilities experience either unplanned or planned shutdowns;
- capacity to store gas when prices are low, for later sale during periods of high prices to maximize revenue;
- capacity to maximize sales opportunities during seasonal price cycle and trading activities, specifically sales into the peaking electricity market during the December to March period;
- opportunistic supply when spot cargoes for LNG experience price spikes.

It is expected that gas injection and withdrawal rates will be able to be improved through de-bottlenecking and augmentation of facilities, thereby increasing potential for the abovementioned initiatives. Armour intends to commence detailed studies on this opportunity after gas sales have commenced.



The Board of Directors will continue to update the market as these matters progress.

A handwritten signature in blue ink, appearing to read "K. Schlobohm".

On behalf of the board
Karl Schlobohm
Company Secretary

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Competent Persons Statement

Reported reserves and resources are in accordance with the SPE Reserves Auditing Standards and the SPE-PRMS guidelines and under the supervision of Mr. Luke Titus, Chief Geologist, Armour Energy Limited. Mr. Titus qualifications include a Bachelor of Science from Fort Lewis College, Durango, Colorado, USA and he is an active member of AAPG and SPE. He has over 20 years of relevant experience in both conventional and unconventional oil and gas exploration & production in the US and multiple international basins. Mr. Titus meets the requirements of qualified petroleum reserve and resource evaluator as defined in the ASX Listing Rules and consents to the inclusion of this information in this release.