

Armour Energy Limited

6 December 2018

Armour Progresses to Firm Contracted Gas Supply with Australia Pacific LNG (APLNG) from its Kincora Gas Project

Highlights:

- On 22 December 2016, Armour announced the execution of a Gas Sales Agreement (GSA) with Australia Pacific LNG Pty Ltd (APLNG) for volumes up to 3.65PJ/a.
- The GSA has now entered Period 2 which requires Armour to supply 5 TJ/d to APLNG under a “firm” delivery obligation for a 5-year term. The second tranche of 5 TJ/d, over the same 5 year term, will be sold on an “as available” basis to APLNG subject to certain conditions.
- Armour’s future gas production as available over and above 10 TJ/d is currently uncontracted, and is planned to be sold to the Eastern Australian gas market.
- The GSA with APLNG provides a strong financial base for Armour to continue to develop production to 20TJ/d as per the company’s current four-phase growth strategy.

The Directors of Armour Energy Limited (**Armour**, ASX:AJQ) are pleased to advise that the Company has moved to Period 2 of its Gas Sales Agreement (GSA) with Australia Pacific LNG Marketing Pty Limited (**APLNG**), providing the Company with a strong counterparty gas buyer for the next 5 years to December 2023 (**Period 2**) for up to 3.65PJ/a.

Period 1 under the GSA was designed for gas sales during the restart and commissioning of Armour’s Kincora Gas Plant. Having been producing and delivering 9 TJ/day since February 2018, the Company has now reached a level of confidence relating to the reliability of the Kincora Gas Plant to deliver against the firm requirement under Period 2, such that it can now supply a Maximum Daily Quantity (MDQ) of 5 TJ/d on a “firm” basis, and an additional 5 TJ/d on an “as available” basis to APLNG for a period of 5 years from 1 December 2018 to December 2023.

This gas will be produced from the Company’s existing production wells in the Kincora Gas Project on the Roma Shelf, and further production from the drilling of new wells as a part of Armour’s field development plan going forward.

Armour’s Executive Chairman, Nick Mather stated *“Armour’s Board is pleased with the performance of the Kincora Plant to date, and our ongoing relationship with APLNG as a strong and reliable offtaker for the gas Armour produces. The agreement, executed in December 2016, provided a certain and much needed cashflow to assist Armour through the recommissioning phase, and we are now focused on the longer-term objective of steadily increasing production to 20 TJ/d and beyond.”*

At this time, in line with the company's strategy, Armour continues to focus on increasing field production and throughput of the Kincora Gas Plant, with the vision that the Roma Shelf project will be capable of being expanded into a much larger project in the years ahead. The Board has the view that the Roma Shelf still has an extensive volume of gas in place which will be developed through ongoing exploration and development."

Armour continues to produce gas at 9 TJ/day from its existing wells and its Newstead gas storage facility. This gas is being sold from its 100% owned tenements. Future available gas production over and above the Company's obligations to APLNG is planned to be sold into the spot market at Wallumbilla for the near term and over time it is anticipated that other GSA's may be entered into with domestic customers. The Company is working towards increasing production to 20 TJ/day in 2019 which is part of Phase 3 of Armour's four-phase growth strategy.

Armour is also currently producing 170 barrels per day of light oil or condensate, and up to 19 tons per day of LPG, all of which is being sold. As a part of the company's growth strategy, in addition to its natural gas sales, Armour Energy intends to increase the production of LPG, oil and condensate, all of which make important contributions to the company's positive operating cash flows.



On behalf of the board
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