



Armour Energy Limited

12 February 2018

9 TJ/day Gas Production and Sales Achieved

Highlights:

- **The Kincora Gas Plant achieves production and sales of 9 TJ/day**
- **Current LPG and condensate production exceeds expectation**
- **First loadout and sales of LPG and condensate product from Kincora Gas Plant**
- **Well design, field development planning and gas sales negotiations underway to reach 20 TJ/day**

The Board of Directors of Brisbane based oil and gas producer Armour Energy Limited ("Armour", or "the Company", ASX: AJQ) is pleased to advise that the Company's Kincora Gas Plant ("KGP") has achieved a production rate of 9 TJ/day from its conventional oil and gas fields on the Roma Shelf, Surat Basin, and that first loadout and sale of associated LPG and condensate products has occurred.

Over the next 12 to 18 months, Armour plans to increase gas production up to 20 TJ/day, plus associated liquids, as a result of bringing more of its existing wells back on line and the planned drilling of new development wells on its promising Myall Creek and Parknook gas and liquids fields.

Armour's longer term strategy is to define and develop major gas and liquids fields as it becomes one of Queensland's preeminent gas and oil producers, addressing Queensland's growing domestic gas consumption profile.

Kincora Project Gas Production Update

As previously advised, the Company's Phase 1 restart plan included increasing gas production and sales up to 9 TJ/day. This initial target production and sales rate has now been achieved. Approximately 6 TJ/day of the 9 TJ was delivered from 12 of the 31 existing wells being brought back on line, and the balance of approximately 3 TJ/day from the Newstead gas storage facility.

"This is an important target for the Company to achieve. It now completes the primary goal that Armour set for Phase 1 of our 3 phase growth strategy, being the restart of the Kincora Gas Plant and demonstrating our capacity to produce, process and sell gas at the rate of 9 TJ/day," said Roger Cressey, CEO.

"The successful restart of the Kincora Gas Plant and the associated field infrastructure demonstrates that Armour's operational capability can be upscaled and replicated throughout the Roma region on numerous projects, enhancing our contribution to Queensland's huge gas demands" said Nick Mather, Executive Chairman. "Through this process we have obtained a deeper understanding of the plant and associated field infrastructure. This has put Armour in a strong position to operate the plant safely, and provides a solid foundation for us to continue to increase production over the coming weeks and months. Armour's exploration team is matching our operational capability with an impressive inventory of appraisal and exploration targets. We'll be here for a long time."

Armour is now focused on bringing back on line the balance of the existing production wells and flowing them to the KGP, enabling the Company to gain further operational experience and knowledge of the overall Kincora infrastructure (being the KGP, the Newstead storage facility and the gas gathering systems).

Having achieved the primary Phase 1 goal of the KGP restart, Armour is now moving forward with Phase 2 of its growth strategy. This includes a focus on gradually increasing production to 20 TJ/day over the next 12 months to 18 months. As part of achieving this, Armour has commenced a number of technical studies on the KGP so as to provide a clear pathway to increased production, and to obtain a deeper understanding of the de-bottlenecking opportunities that might be progressed.

Armour's subsurface team has finalised a drilling plan for 2018 for new wells required to achieve the targeted 20 TJ/day. Armour is currently planning to drill the first 2 new production wells in the Myall Creek area during 2018. Procurement and contracting activities to support drilling in 2018 are progressing. Longer term development planning for Armour's Myall Creek and Parknook fields is also underway and this will be refined following drilling of the initial new wells.

Condensate and LPG production and sales

As previously advised, the Kincora Gas Plant is now also producing LPG and condensate. Production rates historically across the Kincora project area are on average an LPG yield of 2,065 tonnes/PJ of gas, and a condensate yield of 9,938 barrels/PJ of gas.

Loadout and sales of LPG and condensate commenced on 1st February.

Whilst current LPG and condensate production are exceeding expectation, the Company expects these higher liquids rates will revert to the historical average rates over time and over time the liquids contribution to revenue is expected to revert to approximately 25% of the revenue derived from the Company's gas sales.

The Board of Directors will further update the market as the Kincora Gas Project continues to progress.



On behalf of the board
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