



Armour Energy Limited

2 January 2018

Kincora Oil & Gas Project Update and Corporate Update

Highlights:

- **The LPG system at the Kincora Gas Plant has been successfully recommissioned and the Kincora Gas Plant is now fully operational**
- **Gas from existing production wells is being processed and sold**
- **LPG and condensate production has commenced**
- **Funds managed by MH Carnegie & Co committed to invest a further \$5 million, bringing their total investment to \$13.25 million**

The Board of Directors of Armour Energy Limited ("Armour", or "the Company", ASX: AJQ) is pleased to provide the following updates:

Kincora Project Gas Production Update

Restart work at the Kincora Gas Plant ("KGP") has been completed and the plant is now fully operational. As a result, raw gas from existing wells is now being processed and sold through the Company's gas sales agreement with APLNG, with delivery at Wallumbilla via the Company's agreement with APA.

Commenting on this significant milestone for the Company, CEO Roger Cressey said, "The complete restart of the Kincora Gas Plant is a tremendous achievement for Armour Energy. I would like to thank the Armour team and its contractors on achieving this significant milestone of restarting the LPG system and bringing the whole of the Kincora Gas Plant and associated facilities back into operation. Armour Energy is realising its plans to become a progressive Australian gas exploration and production company."

"This represents a significant de-risking of the project and provides another building block in Armour Energy's continuing transformation from a greenfields explorer to an exploration and production company. The Kincora Project provides the Company with cash flow, through production of gas, condensate, LPG and oil, to assist with funding the Company's overall growth strategy, which includes becoming the pre-eminent oil and gas producer in the Roma region" said Nick Mather, Executive Chairman, Armour Energy Limited.

With the LPG system operational, Armour will now gain operational experience and knowledge of the overall Kincora infrastructure (KGP, Newstead storage facility and gas gathering systems) and, over coming weeks and months, this will enable opportunities for performance and production rate improvements to be identified and implemented. During this period, gas production is expected to increase from 5 TJ/day to 9 TJ/day as production from all existing wells is brought on line and utilisation of the Newstead storage facility is optimised. For the immediate future Armour intends to run the KGP at a steady state best suited to the existing infrastructure.



The Company's Phase 1 restart plan also includes recommissioning of all field infrastructure (ie gathering flowlines and field compressors). Although some of that work is yet to be completed, the majority of the field infrastructure is now recommissioned and supports the Company's plan to increase gas production from the current production and sales rate of 5 TJ/day up to 9 TJ/day in the near term. One section of flowline, from the Myall Creek compressor station to Kincora (PPL63), is being operated at flow rates lower than have been historically achieved until further testing can be completed. Armour intends to run an intelligent pig through the flowline in January 2018 to obtain detailed information on its condition and, in particular, the extent of possible corrosion. If PPL63 is unable to operate at higher flowrates, Armour will investigate options to ensure PPL63 can accommodate increased production rates expected from the Myall Creek field following drilling of new wells as part of the Company's Phase 2 growth plans.

Phase 2 of the restart program will focus on increasing production to 20 TJ/day over the next 12 to 18 months. Armour has commenced a number of technical studies on the Kincora Gas Plant to provide a clear path to increasing production and to obtain a deeper understanding of the de-bottlenecking opportunities that might be progressed.

The subsurface team has finalised a drilling plan for 2018. The Company is currently targeting the drilling of 3 development wells in the Myall Creek area during the year. Longer term development planning is also underway and this will be refined following drilling next year. Procurement and contracting activities to support drilling in 2018 are progressing.

Condensate and LPG production and sales

With the recommissioning of the LPG system, the Kincora Gas Plant is now producing condensate and LPG. Production rates of these products will vary subject to the composition of the raw gas from the various gas fields. Production rates historically across the Kincora project area have provided on average an LPG yield of 2,065 tonnes/PJ of gas and a condensate yield of 9,938 barrels/PJ of gas.

At current oil prices, sales of condensate and LPG are expected to add approximately 25% to the revenue derived from the Company's gas sales.

Capital Raising Program Update

With wet gas from Armour's existing wells now being processed through the Kincora Gas Plant, delivered through PPL3 pipeline to the RBP and sold, and with shareholder approval having been obtained at the AGM held in November 2017, all conditions precedent have now been met for funds managed by MH Carnegie & Co to invest an additional \$5 million in the Company through purchase of Convertible Notes.

This investment will bring MH Carnegie & Co's total investment to \$13.25 million and the Convertible Note program to \$38.5 million, with a further \$6.5 million still available for placement.

During November 2017, the Company successfully closed the \$4.25 million rights issue and, given strong demand from investors, the Company elected to undertake a further placement to raise up to \$1 million, before costs, on the same terms as the Entitlement Offer at \$0.076 per share. The Company has now successfully completed this additional placement.

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



A handwritten signature in blue ink, appearing to read "K. Schlobohm", is positioned above the typed name.

On behalf of the board
Karl Schlobohm
Company Secretary

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