

ASX Announcement

6 March 2017

Connection Agreement Executed with APA for Armour's Kincora Project

Highlights:

- **Armour has executed a Connection Agreement with APA Group securing access to the Roma Brisbane Pipeline at Wallumbilla.**
- **The Agreement further underpins the restart of Kincora Project.**

The Directors of Armour Energy Limited (Armour; ASX:AJQ) are pleased to announce that Armour has executed a Connection Agreement with APA Group. The agreement provides Armour access to the Roma Brisbane Pipeline at Wallumbilla which will allow Armour to supply gas to Australia Pacific LNG under the Company's previously announced Gas Sales Agreement with them. The Connection Agreement is also an essential component in Armour being able to access the broader east coast gas market, including a wide range of industrial customers, wholesale customers and traders and other LNG producers. APA is a key gas transport provider servicing the east coast gas market and Armour's agreement with them is for a ten year term and provides a connection for up to a 30 TJ/day gas flow rate into the Roma Brisbane Pipeline.

Commenting on the Agreement, Armour's Executive Chairman, Nick Mather said:

"Late last year we announced that we had secured a gas sales agreement with Australia Pacific LNG. Execution of the Connection Agreement with APA now means that we can commence supply of gas to Australia Pacific LNG as soon as the Kincora Project Restart is completed. Armour continues to move closer to becoming a significant gas producer supplying gas into the east coast gas market and alleviating the supply side constraints that market currently faces."

Kincora Project Restart - Gas Production & Sales Program

Supply of gas from the Kincora Project to the east coast market is planned as follows:

- Phase 1 involves commencement of gas production (ie the restart), recommissioning of the gas processing and compression facilities and then increase of the gas production rate to an initial 9 TJ per day (3.3 PJ per annum). Gas production will initially be from the Newstead storage facility with various existing wells across the fields progressively brought back into operation. First gas production and commencement of gas sales delivering into the Australian Pacific LNG offtake agreement is targeted to be achieved by June 2017, and the balance of the restart program (including commencement of associated liquids production) is planned to be completed by August/September 2017.
- Phase 2 will involve the drilling of new wells plus workovers and stimulations of existing wells to achieve an increase in gas production to 20 TJ per day. Phase 2 will take place over a period of 12

to 18 months from first gas production, and will take the total gas production rate to an estimated 70% of the Kincora Gas Plant name plate capacity. Subject to operational performance, further production increase will be pursued to achieve 100% plant capacity. Associated liquids production from the project historically averaged 9,942 barrels of condensate (a light oil) per PJ of gas produced, and 2,066 tonnes of LPG per PJ of gas produced. Based on these historical production rates, at a gas production rate of 20 TJ per day liquids production is expected to reach 198 barrels of condensate and 41 tonnes of LPG per day. Projected condensate and LPG figures are based on the information contained in the Company's ASX release of 19 July 2016.

The key activities and their expected timing for the Kincora Project restart program are set out in Figure 1 below.

Target schedule	2Q16			3Q16			4Q16			1Q17			2Q17			3Q17			4Q17		
	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
1 Restart planning and estimate																					
2 Site preparation & Operational Readiness																					
3 Emu Apple Oil (inspections, tests, restart)																					
4 First Oil (despatch)																					
5 PPL3 IP run, data evaluation, Restart risk assessment, Connection agreement																					
6 PPL3 repairs																					
7 PPL3 end of line modifications																					
8 Phase 1 Restart - commence production and ramp-up to 9TJ/day																					
8.1 Restart of Newstead gas process stream																					
8.2 First Gas Sales - ex Newstead																					
8.3 Kincora Gas Plant - LPG system (restart)																					
8.4 Restart field production (restart existing 22 wells)																					
8.5 LPG & Condensate Production & Sales																					
9 Phase 2 Restart - ramp-up to 20TJ/day over next 12 to 18 months																					
9.1 Drill new wells, stimulate and workover existing wells																					ongoing...

Figure 1 – Kincora restart program

Newstead Gas Storage

A key component of Armour's gas supply strategy for the Australia Pacific LNG offtake arrangements and, going forward, for other customers is the Newstead Gas Storage Facility. The Newstead storage facility currently holds approximately 2.3 PJ of treated gas (sales quality) which is expected to require minimal re-processing (compression and dehydration) before sending to market via Wallumbilla. Newstead has a total capacity of around 7.5 PJ. The Newstead facility provides significant operational and commercial benefits, including:

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



Gas injection and withdrawal rates at the Newstead storage facility are expected to be improved through de-bottlenecking and process plant augmentation. Armour will undertake detailed studies toward achieving this following restart of the facility and commencement of gas sales, as the project develops.

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

On behalf of the board
Karl Schlobohm
Company Secretary

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