



Armour Energy Limited

21 July 2016

Start Up, Well Stimulation and Drilling Program to Lift Armour Energy's Kincora Project to Production.

HIGHLIGHTS

- **Commencement of gas production of 5 TJ/d by the end of 2016.**
- **3 Phase program developed to increase production to at least 15 TJ/d.**

The Directors of Armour Energy Limited (ASX:AJO, Armour or the Company) advise that the Company has completed a thorough investigation of the opportunities to rapidly re-establish production from the Kincora Project on the Roma Shelf, and ramp up to plant capacity at the recently acquired Kincora Gas Plant. This plan follows on from the Resources Upgrade as advised on 19 July 2016, and involves a three phase program as follows:

- Phase 1 is the commencement of gas production at approximately 5 TJ per day (1.8 PJs per annum) and associated liquids, with first gas production targeted to be achieved by end 2016, and the balance of the restart (including associated liquids) to be completed during Q1 2017. Over time these liquid product streams are expected to add significantly to projected gas revenues and will meet the operating costs of the Kincora Project.
- Phase 2 will involve well workovers and stimulations to achieve ramp up to a total production of approximately 10 TJ/d (3.6 PJs per annum) which represents less than 40% of the Kincora Gas Plant name plate capacity. Associated liquids production historically averaging 9942 barrels of condensate per PJ of gas and 2066 tonnes of LPG per PJ of gas are expected to yield 99.4 barrels of condensate and 20.7 tonnes of LPG per day. These condensate and LPG figures are based on the information contained in the Company's ASX release of 19 July 2016.
- Phase 3 will involve drilling 4 new wells and deepening 3 existing wells during 2017, targeted to further increase production to at least 15 TJ/d plus associated liquids.

Table 1 below sets out the targeted objectives and the tenement details for the stimulation Phase 2 program and additional drilling activities planned for Phase 3. Armour is currently negotiating funding for these programs.

First stimulation targets

Tenement	Well	Operation	Details	Estimated initial targeted uplift (mscf/d)
PL 511	Myall Creek 4	Perforate and stim new zones	25m of behind pipe pay in Lower Tinowon	1,500
PL 511	Myall Creek 2	Perforate and stim new zones	25m of behind pipe pay in Lower Tinowon	1,500
PL 511	Myall Creek 3	Perforate and stim new zones	25m of behind pipe pay in Lower Tinowon	1,500
PL 71	Parknook 2	Perforate new zones	25m of behind pipe potential over Showgrounds, Rewan and Bandanna	400
PL 71	Parknook 5	Perforate new zones	28m of behind pipe potential over Showgrounds, Rewan and Bandanna	350
PL 71	Warroon 1	Perf & Stim new zones	Perf and stimulate Rewan	350
TOTAL				5,600

First drilling / deepening targets

Tenement	Well	Operation	Details	Estimated initial flow (mscf/d)
PL 511	Myall Creek 12	New drill and stimulate	Targeting entire Tinowon interval	3,000
PL 511	Myall Creek 13	New drill and stimulate	Targeting entire Tinowon interval	3,000
PL 511	Myall Creek 14	New drill and stimulate	Targeting entire Tinowon interval	3,000
PL 511	Myall Creek 8	Deepen, case & stim	Perforate Lower Tinowon and stimulate both Upper and Lower Tin	2,500
PL 511	Myall Creek 6	Deepen, case & stim	Perforate and stimulate all Tinowon	2,500
PL 511	Myall Creek 11	Redrill Underbalanced	Redrill underbalanced; perforate all Tinowon sands	1,800
PL 511	Myall Creek 7	Deepen well underbalanced	25m of underlying pay in Lower Tinowon	600
TOTAL				16,400

Table 1: initial well stimulation and drilling program

The above mentioned production rates, as well as the flowrates in Table 1, are based on historical (2012) well performance from nearby wells and detailed sub-surface analysis work undertaken by Armour and its consultants over the past 9 months. Armour is currently discussing gas sales arrangements with a number of third parties and is targeting summer peak periods in which to commence gas sales, assuming negotiations are successful.

On 19 July 2016, Armour announced a fourfold increase in its 2C resources in the Project area to a total of 105 PJs of 2C gas. This 2C contingent resource will convert to 2P upon restart of the Kincora Gas Plant and activities approved to enable production from wells. Furthermore, Armour has identified a strong exploration and production target in the Permian aged section of the Bowen Basin underlying the Surat Basin sediments traditionally productive in the Roma area. Historic (2012) production of 18.3PJs of gas from the Permian aged Myall Creek Gas Field provided Armour with the encouragement to investigate the Permian further and this has resulted in the definition of the increased reserve position certified by SRK Consulting. Recent advances in drilling and production stimulation techniques, 3D seismic surveys and experience with these techniques in the Northern Territory and Northern Queensland provide Armour with strategies that, while successfully tested in other theatres, have never been effectively applied on this project area. Armour has identified approximately 400 instances of gas accumulations that were drilled through but never flow tested. These untapped accumulations will be targeted to support Armour's production plans in the three phase recommissioning and expansion plans detailed above. In addition to the defined contingent resources Armour has also identified substantial exploration targets in the Permian section elsewhere in the Petroleum Licences and ATPs in the project area which covers 3,000 km².



In addition to above the Company expects to be producing oil at a rate of 50 barrels per day from the Emu Apple oil field by the end of August 2016 as previously advised on 18 July 2016.

A handwritten signature in blue ink, appearing to read "K. Schlobohm", is written over a horizontal line.

On behalf of the Board

Karl Schlobohm
Company Secretary

Competent Persons Statement

Consents

Reported 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 Chapter 19 of the ASX Listing Rules and consents to the inclusion of this information in this release.

SPE-PRMS

Society of Petroleum Engineer's Petroleum Resource Management System - Petroleum resources are the estimated quantities of hydrocarbons naturally occurring on or within the Earth's crust. Resource assessments estimate total quantities in known and yet-to-be discovered accumulations, resources evaluations are focused on those quantities that can potentially be recovered and marketed by commercial projects. A petroleum resources management system provides a consistent approach to estimating petroleum quantities, evaluating development projects, and presenting results within a comprehensive classification framework.

PRMS provides guidelines for the evaluation and reporting of petroleum reserves and resources.



Under PRMS:

“Contingent Resources” are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.

The estimated quantities of petroleum that may potentially be recovered by the application of future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Previous reported information on the Contingent Resources in this release related to Armour Energy’s Surat Basin PLs and ATPs is based on an independent review conducted by RISC Operations Pty Ltd (RISC) 2015 Independent Technical Specialist Report Roma Shelf dated 30 September 2015 and SRK Consulting (Australasia) Pty Ltd Myall Creek Contingent Resources Report PLs 227 and 511 (19 July 2016) and SRK Consulting (Australasia) Pty Ltd PL 71 Contingent Resources Report- Parknook, Namarah and Warroon area (19 July 2016) and Armour Energy Target Statement dated 7 October 2015 related to Armour Energy’s Surat Basin PLs and ATPs is based on the Annexure A - Independent Expert Report review conducted by BDO Corporate Finance (QLD) Ltd and fairly represents the information and supporting documentation reviewed. All the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

Forward Looking Statement

This announcement may contain certain statements and projections provided by or on behalf of Armour Energy Limited (Armour) with respect to the anticipated future undertakings. These forward-looking statements reflect various assumptions by or on behalf of Armour. Accordingly, these statements are subject to significant business, economic and competitive uncertainties and contingencies associated with exploration and/or production which may be beyond the control of Armour which could cause actual results or trends to differ materially, including but not limited to price fluctuations, exploration results, resource estimation, environmental risks, physical risks, legislative and regulatory changes, political risks, project delay or advancement, ability to meet funding requirements, factors relating to property title, native title and aboriginal heritage issues, dependence on key personnel, share price volatility, approvals and cost estimates. Accordingly, there can be no assurance that such statements and projections will be realised. Armour makes no representations as to the accuracy or completeness of any such statement of projections or that any forecasts will be achieved.



Additionally, Armour makes no representation or warranty, express or implied, in relation to, and no responsibility or liability (whether for negligence, under statute or otherwise) is or will be accepted by Armour or by any of their respective officers, directors, shareholders, partners, employees, or advisers as to or in relation to the accuracy or completeness of the information, statements, opinions or matters (express or implied) arising out of, contained in or derived from this presentation or any omission from this presentation or of any other written or oral information or opinions provided now or in the future to any interested party or its advisers. In furnishing this information, Armour undertakes no obligation to provide any additional or updated information whether as a result of new information, future events or results or otherwise.

Nothing in this material should be construed as either an offer to sell or a solicitation of an offer to buy or sell securities. It does not include all available information and should not be used in isolation as a basis to invest in Aus Tin Mining Limited.

About Armour Energy

Armour Energy is focused on the discovery and development of world class gas and associated liquids resources in an extensive and recently recognised hydrocarbon province in northern Australia. This region has only recently had its shale potential identified by Armour Energy. The domestic and global demand for gas, combined with the new shale extractive technologies and experienced personnel, provides Armour with an extraordinary opportunity to define and ultimately develop a new liquids rich gas province.

Armour Energy's permit areas are characterised by low population densities, cooperative stakeholders and aspects of the natural environment suited to the exploration and development of a future gas and liquids province. Armour places considerable importance on close liaison with traditional owners and all stakeholders.

Armour Energy is focusing on the exploration of the McArthur, South Nicholson and Georgina Basins in the Northern Territory and Queensland, and in the onshore Gippsland Basin in Victoria in joint venture with Lakes Oil, for gas and associated petroleum liquids.

Armour's recent acquisition of assets and resources on the Roma Shelf establish the company's future as a petroleum producer.

Further information regarding Armour Energy Limited is available on Armour's website at www.armouenergy.com.au

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