



Armour Energy Limited

22 August 2016

Oil Production Commences at Kincora, Roma Shelf in Queensland

Further to the ASX release of 18 July 2016 Armour Energy Limited (**ASX: AJQ; Armour**) is pleased to advise that oil production from the Emu Apple oil field has now commenced. Restart work at Emu Apple (**Figure 1 and 2**), which forms part of the Company's recently acquired Kincora assets in the Roma shelf in Queensland, was completed safely and well below budget.

Emu Apple-1 well is currently producing at a rate of approximately 50 bpd.

The Emu Apple Field covers an area of 1.3 km². As first reported by the Company in its 7 October 2015 Target's Statement, based on an independent report received by Risc Operations Pty Ltd on 30 September 2015, the Emu Apple-1 well is estimated to contain approximately 100,000 bbl of remaining recoverable oil in a 4 way dip closed structure in the Jurassic aged Boxvale Sandstone at a depth of 1400 metres.

Armour's Kincora Project covers 6 historic oil fields that have historically produced 2.9 mmbbls oil. Armour has identified 5 wells with untested logged oil pay behind casing which was never tested, and further untested appraisal areas in the existing fields.

Armour aims to re-enter and test the best of these opportunities as part of its campaign to bring the Kincora project up to full development status.

Armour recently announced an increase in resources for the Kincora Project which offer the Company the potential to transform into a significant gas and oil producer.

Robbert de Weijer, Armour's CEO, commented: *"starting oil production from the Emu Apple field marks a key milestone for Armour. We are now generating our first cash flow and, due to our low cost structure, we should generate a very healthy margin from each barrel that we produce. Our operations team did a great job as the re-start of oil production was achieved without a glitch. This bodes well for the re-start of gas production which we are aiming to achieve by the end of this year."*

Nick Mather, Executive Chairman, said: *"the Roma Shelf has historically spawned numerous oil and gas companies such as Hartogen, Crusader, Beach, AOG and Bridge and it goes on giving. Armour will be the next. Armour's advantage is a new generation of 3D seismic techniques to find oil and gas here and very efficient field development and oil and gas recovery techniques. Clearly there are many more oil and gas pools here. Historically 37% of wildcats on the Roma Shelf have been discoveries. That's an enviable record."*



Figure 1: Emu Apple-1 well with storage tanks in the background



Figure 2: Emu Apple facility including offloading area

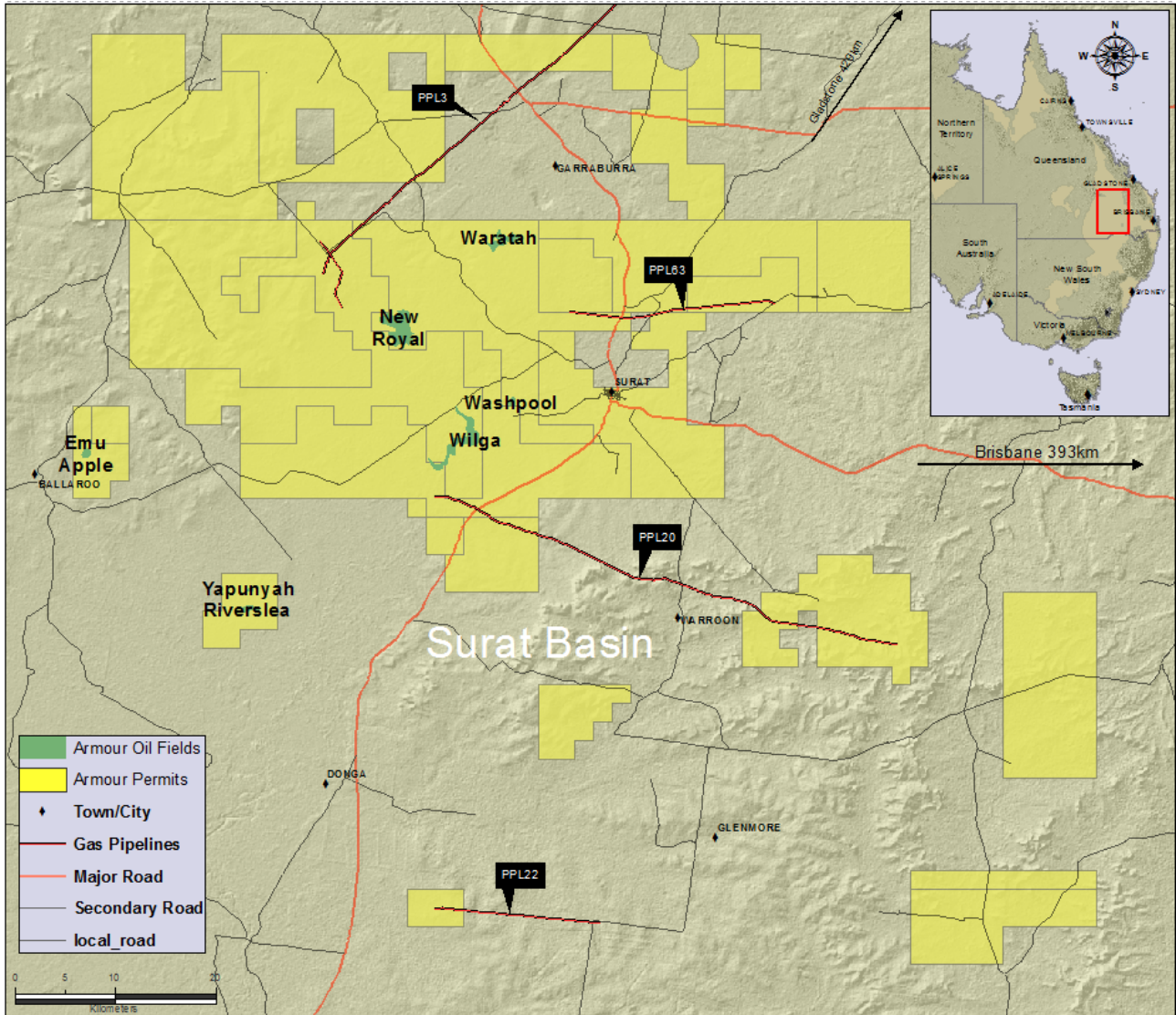


Figure 3: Map of Armour's Kincora Project Area



On behalf of the Board
 Karl Schlobohm
 Company Secretary



COMPETENT PERSONS STATEMENT

The resources are stated in accordance with the SPE Reserves Auditing Standards and the SPE-PRMS guidelines 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 17 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:

The oil reserve estimate for the Emu Apple well was previously reported as a Contingent Resources in the Company's Target Statement of 7 October 2015, based on an independent report received from Risc Operations Pty Ltd on 30 September 2015. Full disclosure and compliance with the relevant Listing Rules was included in the 7 October 2015 Target's Statement, when this information was published for the first time. The Contingent Resource has now converted to a reserve due to the well being commissioned. The material assumptions and technical parameters underpinning the estimate continue to apply and have not materially changed.

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