



Armour Energy Limited

19 September 2017

Exploration Licence Granted – Kanywataba Block, Uganda

The Board of Directors of Armour Energy Limited (“Armour”, or “the Company”, ASX: AJQ) is pleased to announce that Armour has been granted the exploration licence for the Kanywataba Block in the Albertine Graben in Uganda.

Armour has previously advised that it had been selected as the preferred tenderer on the Kanywataba Block offered by the Government of Uganda under their first licensing round. Armour recently concluded negotiations with the Government of Uganda which enabled an exploration licence for the Kanywataba block to be granted to Armour following the signing of the Production Sharing Agreement with the Government of Uganda. Armour is the first company to have been granted an exploration licence out of the first licencing round tender issued by the Government of Uganda in late 2015. The grant of the licence is a significant milestone for Armour and provides exposure to a world renowned oil province.

The Kanywataba block is located at the southern end of Lake Albert in the Albertine Graben where approximately 115 wells have been drilled, and 101 wells encountered hydrocarbons delivering an 88% success rate on economic discoveries. To date, discoveries in the Albertine Graben total approximately 6.5 billion barrels of oil initially in place, with estimated recovery being 1.5 billion barrels and oil being light to medium gravity (30-35 API) with associated wet and dry gas. The Albertine Graben is a Rift Basin, a geological formation known to host a third of the world’s oil reserves and similar geology to the Gippsland Basin in Victoria, Australia. The Albertine Graben is considered to provide world class reservoir qualities, multiple reservoirs and less than 40% of the Albertine Graben has been evaluated. Production licenses have been awarded to Total, Tullow and CNOOC on blocks to the north of the Kanyawataba block, on the east coast of Lake Albert. Armour considers the Kanywataba block to be a highly prospective oil play. Based on the Highly Prospective Oil Columns Kanywataba Block internal report dated 13 September 2017, Armour has assessed the prospectivity of the block and estimates low, best and high unrisked prospective oil resource to range from 646 to 969 MMBBLS of oil in place across 7 prospects each with stacked reserves. Armour considers the main resource risk to be potential loss of hydrocarbon charge, and on that basis considers prospects 2 and 3 are considered to represent the most prospective targets, as indicated in the following table.

Kanywataba Block	Unrisked Prospective Oil Resource Estimate (MMBLS)		
Prospect Number	Low	Best	High
Stacked 1	479	599	719
Stacked 2	86	107	128
Stacked 3	59	74	89
Stacked 4	1	2	2
Stacked 5	2	2	3
Stacked 6	13	16	19
Stacked 7	7	9	11
SUM ALL PROSPECTS	646	808	969

Cautionary Statement - The estimated quantities of petroleum that may potentially be recovered by the application of a 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.

Uncertainty in the resource estimate is captured as a range of values with different levels of confidence being achieved, and in this instance has been estimated through a probabilistic aggregation of all the estimated prospects in the Kanywataba Block into a Low-Best-High estimation category. Chance of success is a function of geological parameters including source, migration, reservoir, trap and seal. Chance of commerciality is a function of technical and commercial parameters, volume discovered, future development and operating costs, production profiles, markets, prices and economics.

A crude oil export pipeline is under construction from the Hoima District (centrally located in the Ugandan oil discoveries region) to the port of Tanga in Tanzania with completion targeted in 2020. Also, the Government of Uganda is negotiating the construction of a refinery to provide petroleum products for Uganda and its regional neighbours.

The exploration licence is for a 2 year period and subject to completing the work program for that period, the licence is renewable for another 2 year period. The first period work program involves undertaking geological and geophysical works, reviewing existing data and reprocessing seismic data, and the acquisition of 100 line kilometres of 2D seismic. On completion of the work in the first period, the tenement can be renewed for a second 2 year period that involves a minimum work program of undertaking geological, geophysical and geochemical studies plus drilling one exploration well. The second period work program will require commitment to further expenditure in the event that the tenement is renewed.

Armour has agreed, subject to Government of Uganda consent, to transfer the tenement to a project specific company in which Armour will have a 16.82% interest and DGR Global, a major shareholder in Armour, shall hold the other 83.18% interest in the transferee entity. Until the time of transfer to a project specific company, or if such transfer does not occur, Armour and DGR Global have agreed that the beneficial interest in the Kanywataba Block will be split 16.82% Armour and 83.18% DGR Global.



In consideration for the beneficial interest split DGR Global has agreed to meet tenement expenditure and work program commitments for the first 2 year period of exploration and indemnify Armour for these costs. DGR has now funded US\$873,000 towards the Performance Guarantee and a US\$442,000 payment to complete the grant of the lease and has agreed to meet expenditure of US\$1.98m for years 1 and 2 exploration commitments.

Further details with respect to the Kanywataba Block were contained in the Company's "Project and Corporate Update" ASX announcement on 13 September 2017.

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

On behalf of the board
Karl Schlobohm
Company Secretary

For further information contact:

Roger Cressey – CEO
07 – 3303 0620

Karl Schlobohm – Company Secretary
07-3303 0661

Competent Persons Statement

Statements in this release as to gas resources have been compiled from data provided by Armour's Chief Geologist, Mr Luke Titus. 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. Mr Titus' has over 20 years of relevant experience in both conventional and unconventional oil and gas exploration in various international hydrocarbon basins. Mr Titus has sufficient experience that is relevant to Armour's reserves and resources to qualify as a Reserves and Resources Evaluator as defined in the ASX Listing Rules 5.11. Mr Titus consented to the inclusion in this report of the matters based on his information in the form and context in which it appears.