

Armour Energy Limited

18 February 2020

Oil Growth & Development Plans Maiden Material Oil Reserves and New Resources

The Directors of Armour Energy Ltd (ASX: AJQ) are pleased to provide an update on the Company's oil growth and development plans.

Highlights:

- **New material oil reserves & resources added to portfolio.**
- **New 2P reserves of 1,220,600 bbls (nil previously booked).**
- **Testing and restarting of 4 existing standing oil wells in progress.**
- **Preparing to drill two oil appraisal wells in late 2020 or early 2021.**
- **Kincora Project long term potential diversified with oil opportunities.**

New Oil Reserves and Resources

Armour Energy has completed an extensive review of its acreage for oil exploration, appraisal and development potential. During 2019, Armour technical staff progressed geological and engineering studies across the greater Kincora Project. Refer to **Figure 1**.

The results of these studies, which included a review of historically producing fields, an airborne survey and a reassessment of existing and reprocessed seismic data, have contributed to the identification of previously unbooked oil reserves and resources.

The following numbers in **Table 1** and **Table 2** have been evaluated in accordance with the Society of Petroleum Engineers – Petroleum Resources Management System (SPE-PRMS) guidelines, independently assessed and approved and are now captured in Armour's yearend reporting process effective 31 Dec 2019.

Kincora Project Total Reserves	1P	2P (1P+2P)	3P (1P+2P+3P)
Estimated Total Oil (BBL)	245,600	1,220,600	2,639,500

Table 1: Armour Energy Bowen-Surat estimated net aggregated quantities of Oil Reserves

Notes:

- Reserve numbers in Table 1 only reflect new Armour share Oil Reserves.
- Reserves are classified according to SPE-PRMS.
- Reserves are stated on a risked net basis with historical production removed
- Reserves can be lifted and sold on behalf of any minority interest holder.
- Reserves are stated inclusive of previous reported estimates.
- Bbl = barrels, kbbbl = thousand barrels, mmbbl = million barrels
- 1P = Total Proved; 2P = Total Proved + Probable; 3P = Total Proved + Probable + Possible

Kincora Project Total Contingent Resources	1C	2C (1C+2C)	3C (1C+2C+3C)
Estimated Total Oil (BBL)	1,231,000	3,696,000	8,019,000

Table 2: Armour Energy Bowen-Surat estimated net aggregated quantities of Oil Contingent Resources

Notes:

- Contingent Resource numbers in Table 2 only reflect new Oil Resources.
- Contingent Resources are classified according to SPE-PRMS.
- Contingent Resources are stated on a risked net basis with historical production removed, where applicable
- Contingent Resources are stated inclusive of previous reported estimates.
- The aggregate 1C may be a very conservative and the 3C very optimistic because of arithmetic summation
- Contingent Resources can be lifted and sold on behalf of any minority interest holder.
- Bbl = barrels, kbbl = thousand barrels, mmbbl = million barrels

Restarting of Existing Suspended Oil Wells

Armour has identified 4 existing oil wellbores, suspended by the previous operator, for testing and restart, located in the Emu Apple, Washpool and New Royal fields. Workovers and the installation of surface equipment are currently in progress and the initial restart results are expected over the next 4 to 8 weeks. These efforts are not only expected to result in new oil production but will further help characterize the fields for future drilling potential and ultimately contribute to the reserves maturation strategy.

Drilling of 2 Appraisal Oil Wells

Further, Armour is progressing plans to drill 2 appraisal oil wells, one in the New Royal field and one in the Riverslea area. It is expected that these wells will be drilled in late 2020 or early 2021 in conjunction with the gas drilling program. These 2 initial drills have been strategically selected for their potential to generate follow up candidates and contribute to the reserves maturation plan.

Strategically Growing a Diversified Portfolio

The adding of material oil reserves and resources to Armour's portfolio validates the long term and diverse potential of the wider Kincora Project. In addition, the effort to test and restart oil wells suspended by the previous operator along with the plan to drill new oil appraisal wells confirms Armour's intention to realize the full potential on its acreage through both reserves and production growth.



On behalf of the Board
Karl Schlobohm - Company Secretary

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Example of a restarted historic oil well – Emu Apple #1 which was restarted by Armour during the recommissioning of the Kincora Project in July 2016 (Photo taken on 29 November 2018)

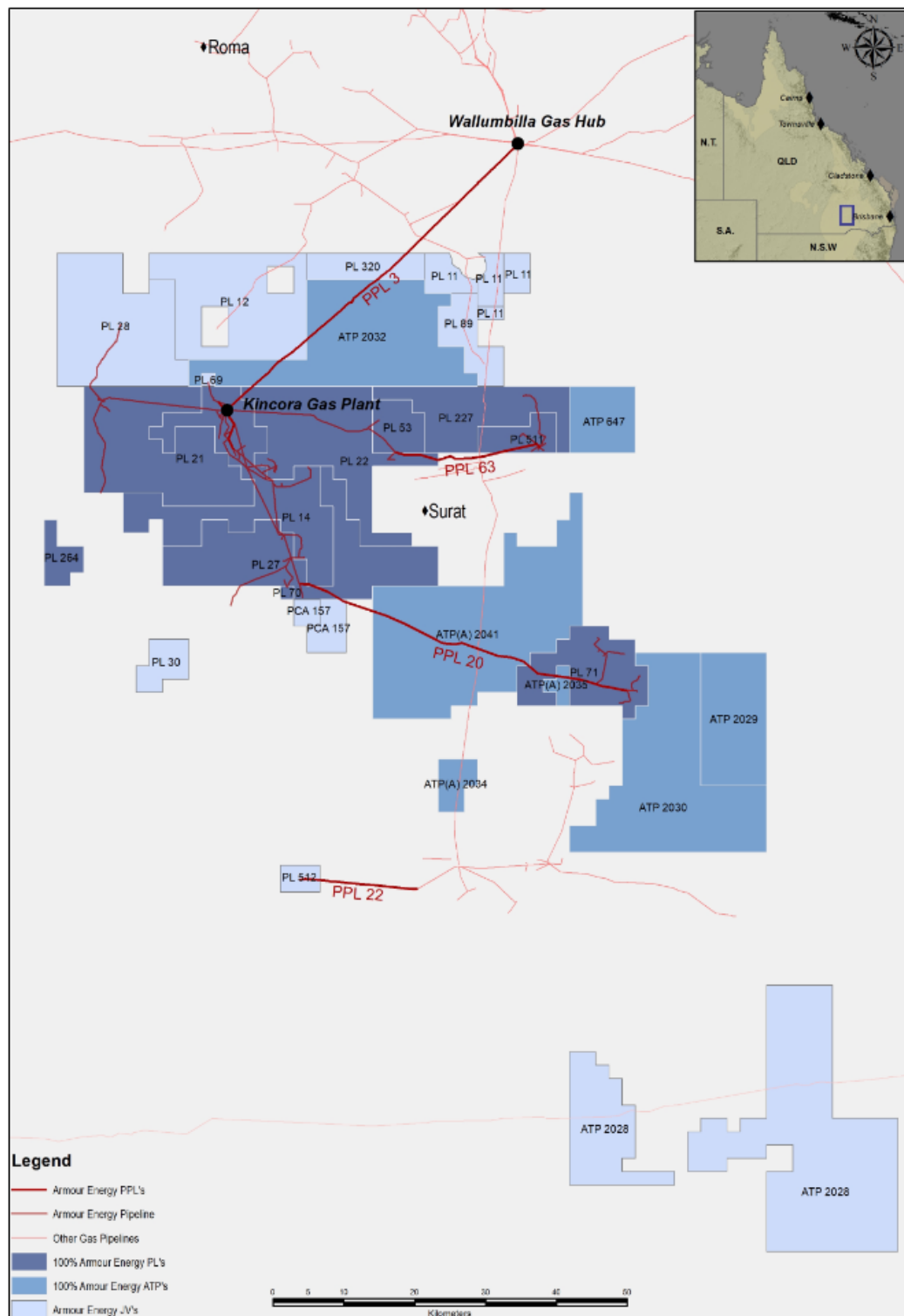


Figure 1: Armour Energy Permits, Bowen-Surat Basins, Queensland

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 Armour Energy Limited.

Technical Statement – Oil Reserves

A report received 4 February 2020 by Mr Teof Rodrigues, Director of TR&A to which this announcement refers, documents Armour Energy's Oil Assets Reserves based upon Armour's ongoing commissioning and oil sales production from the 100% operated Emu Apple Oil Field in PL 264, New Royal Oil Field in PL 22, Washpool-Wilga in PL 22 and 14; and 90% WI in Riverslea Oil Field in PL 30.

All Oil Reserve volumes reported by Armour Energy are allowed under agreements to be lifted and sold on behalf of the minority interest holder in the PL 30 pool. The estimated aggregated quantities of oil reserves to be recovered from existing wells and through future capital are listed in **Table 1**, are classified in accordance with SPE-PRMS guideline, revised June 2018, and comply with Chapter 5 of the ASX listing rules, amended July 2014 and December 2019.

The independently verified Reserves Report compiled by Mr Rodrigues details a high degree of confidence in the commercial producibility of Early Jurassic and Middle Triassic aged reservoirs previously discovered and produced in operated granted petroleum licenses 264, 22, 30 and 14 using reprocessed techniques on existing 2D-3D seismic, AEM-PTP airborne survey data, historic and modern well data, reservoir pressure data, electric logs and rock properties from chip & core samples, gas composition analysis, analysis of historical well production, decline curve analysis, offset field production data and current well testing, workovers and production data.

The reported Oil Reserves are used in connection with estimates of commercially recoverable quantities of petroleum only and in the most specific category that reflects an objective degree of uncertainty in the estimated quantities of recoverable petroleum. The oil reserves are reported net of trucking and net to Armour prior to IOR sales point in Brisbane, Queensland and the report discloses the portion of Oil Reserves that will be consumed as fuel in production and facility operations, where applicable.

Armour will be using calibrated metering at the Emu Apple, New Royal, Riverslea and Washpool-Wilga Oil Field facilities and individual wells as a reference point for the purpose of measuring and assessing the estimated Oil Reserves from the produced oil.

The economic assumptions used to calculate the estimates of Oil Reserves are commercially sensitive to the Armour operated Kincora Project. The methodology used to determine the economic assumptions are based upon strategic objectives that include, but not limited to, facility maintenance, workovers, recompletes, production testing, new drills, and pipeline modifications to ramp up to and maintain a 350 barrels oil/day production profile for 10 years.

The sanctioned oil development model from the Greater Kincora Field Development Plan, revised January 2020, includes a starting and ending monthly schedule of working/net interest capital expenditure to develop and maintain the Oil Reserves, operational expenditure to develop and produce the Oil Reserves, averaged Brent crude monthly Oil Reserve prices and escalated Brent crude Oil Reserve futures, tax/royalty sensitivities, revenue from gross and net oil production, and cash flow from oil production, and summation of discounted cash flows.

The Oil Reserves are located on granted petroleum licences with approved environmental authorities and financial assurances. Armour has a social licence to operate and relevant surface access agreements are in-place.

Armour is the owner and operator of Emu Apple, New Royal, Riverslea and Washpool-Wilga Oil Field facilities with an agreement with Australian based ORI for sales. Armour holds granted Petroleum Licenses over the reported estimates of Oil Reserves, associated gathering and field facilities. The basis for confirming the commercial producibility and booking of the estimated Oil Reserves is supported by actual historic production & sales and/or formation tests. The analytical procedures used to estimate the oil reserves were decline-curve analysis to 5 barrels oil/day, historic production data and relevant subsurface data including, formation tests, 2D-3D seismic surveys, rate-transit-analysis, well logs and core analysis that indicate significant extractable oil.

The proposed extraction method of the estimated Oil Reserves will be through approved conventional drilling, enhanced-oil recovery (EOR), commingle conventional perforated zones, downhole pumps, sucker rods and associated lifting equipment with separators that can slow or accelerate oil production and manage produced formation fluids. Wellbores will be cased and cemented with sufficiently rated wellhead and oil will be recovered through production tubing and gathered to onsite storage tanks.

Wellbores will be designed to protect aquifers and lessen the overall impact to surface owners, environmental receptors, strategic cropping and consideration is given to consolidate surface infrastructure where applicable. The oil is separated at specific facilities associated with each field, collected by ORI at each specific facility and trucked by ORI to Brisbane, Queensland to ORI's processing facility to mix or remove any impurities.

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 risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons. The estimated Prospective Resources are categorized and reported in the most specific category that reflects the degree of uncertainty in the estimated quantities of potentially recoverable petroleum in a low, best and high estimate.

Technical Statement – Contingent Oil Resources

Armour Energy engaged the services Mr Teof Rodriguez, Director of TR&A, to provide independent expert review of reports on the operated Oil Resources associated within the company's 100% WI petroleum licenses 14 and 22 and within the 90% WI petroleum license 30, in the Kincora Project on 4 February 2020 (**Table 2**).

The basis for confirming the existence of a significant quantity of potentially moveable hydrocarbons in the Early Jurassic and Middle Triassic aged reservoirs and the determination of a discovery is based upon stand-alone appraisal and appraisal pilot production from existing historic wells in and around the New Royal, Washpool-Wilga, Borah Creek, Kincora, Waratah and Riverslea Oil Fields. These oil pools have an aggregated cumulative oil production of 2.25 MMbbl. Ongoing analysis of existing 2D and 3D data, well data and historic production will allow future new drill locations to be inventoried and new access negotiations have been completed to allow for the Early Jurassic and Middle Triassic aged reservoirs to be included in the Armour Energy Greater Kincora Field Development Plan, revised January 2020 and scheduled into the 2020-2025 drilling campaign.

At present the detailed petrophysical reservoir parameters, mapping of gross-rock-volume (GRV), historical production, rate-transit-analysis, well tests, core data, 2D and 3D seismic, structure maps and net sand isopaches using probabilistic distributions determined the net recoverable Contingent Oil Resources calculated for the report. Petroleum license commitments and new wellbores have been budgeted. The new wells are part of a 5-year appraisal and development plan to increase oil sales production in a staged approach to-up-to 350 barrels/day using new or existing oil facilities for separating and collection by ORI for sales.

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.

Competent Persons Statement Consents

The resources information in this ASX release is based on, and fairly represents, data and supporting documentation prepared by, or under the supervision, of Mr Teof Rodrigues. Mr Rodrigues' primary discipline is Reservoir Engineering and during his 40-year period in the Industry has had the opportunity to work in multidisciplined teams to appreciate the importance of understanding the process involved in moving the hydrocarbons from the reservoir to the reference sales point. As the Chief Reservoir Engineer for 6 years he had the Corporate Reserves Team reporting to him. In addition, he had the responsibility of endorsing all the Major Projects and the key Reserves and Resource estimates of the Company. He is a Director of TR&A and an experienced petroleum Reserves and resources estimator with 40 years relevant experience. He has adhered to the ASX Listing Rules Guidance Note 32. His qualifications and experience meet the requirements to act as a Competent Person to report petroleum reserves under PRMS (2018). The Resources information in this ASX announcement was issued with the prior written consent of Mr Rodrigues in the form and context in which it appears.

The resource review was carried out 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 20 years of relevant experience in both conventional and unconventional hydrocarbon 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 (June 2018).

Under PRMS

"Reserves" are those quantities of petroleum which are anticipated to be commercially recovered from known accumulations from a given date forward. All reserve estimates involve some degree of uncertainty. The uncertainty depends chiefly on the amount of reliable geologic and engineering data available at the time of the estimate and the interpretation of these data. The relative degree of uncertainty may be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Unproved reserves are less certain to be recovered than proved reserves and may be further sub-classified as probable and possible reserves to denote progressively increasing uncertainty in their recoverability.

“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.