

Armour Energy (ASX:AJQ)

ASX Announcement

25 February 2021

Armour Energy Submits Application for Retention Licences in the Northern Territory

HIGHLIGHTS:

- Retention License applications (RLA) lodged in the Northern Territory (covering 491.01km²) over conventional gas discoveries in the McArthur Basin.
- RLAs cover portions of 100% owned McArthur Basin Exploration Licences 171 and 190.
- First company in the McArthur Basin to lodge an application for Retention Licences.
- Important first step towards securing production licenses for existing gas discoveries.
- Gas sale discussions underway targeting gas sales from late 2022 onwards.
- Existing discoveries close to existing pipeline infrastructure and customers.
- Opportunity to accelerate commercialisation via Compressed Natural Gas “virtual pipeline”.
- Potential to help regional communities' transition from diesel to natural gas and renewables.
- Continue working with NT Government to obtaining a Production Licence.

The Directors of Armour Energy Limited (ASX: AJQ; “Armour”, or “the Company”) are pleased to announce that the Company has lodged applications for Retention Licences (RL) in the Northern Territory over portions of its 100% owned Exploration Permits (EP) 171 and 190 (the “Tenements”).

The Company is the first operator in the McArthur Basin to lodge applications for Retention Licences and only the second operator since 1990 to submit RLs in the Northern Territory.

The Company has been targeting both the conventional and unconventional gas potential in these Tenements since 2012 and through successful exploration programmes through 2012 and 2015 has made multiple conventional gas field discoveries in the Coxco Dolomite conventional reservoir with the Glyde 1 ST1 and Cow Lagoon 1.

The Glyde 1 ST1 flowed sales quality natural gas on DST at a rate of 3.33 MMscf/day. Lamont Pass 3 encountered 520m of oil bearing Barney Creek Shale. As a result of successfully flowing hydrocarbons from Glyde 1 ST1 and Cow Lagoon 1, the grant of RLs will allow the Company to progress the discoveries within the RL area towards commercial development and the award of petroleum licences. The Company has booked Contingent Resources based on the Glyde 1 ST1 discovery, as previously announced to the ASX on 24 April 2013 and 21 September 2015.

RLAs are an intermediate step towards commerciality, allowing for further appraisal works, marketing arrangements, pipeline feasibility studies, environmental studies, and entering into land access and Native Title agreements.

If granted, the RLs will put the Company in a good position to take advantage of the current gas shortage and the Northern Territory's and Federal Government's "Gas Led Recovery" objectives, by providing local gas to local businesses and communities.

The Company's Tenements are well positioned and are close to existing local major operating mine gas consumers and local and regional gas pipeline infrastructure. Proximity to this pipeline infrastructure provides prospective access for future gas development within the RLAs either North to supply Darwin, or to the East Coast Market. Alternately, the Company has also identified the potential to accelerate commercialisation via a Compressed Natural Gas "virtual pipeline" solution providing accelerated access to local and regional existing and prospective gas demand.

The Company is in preliminary discussions with third parties for the supply of gas with the intention of producing and selling gas from 2022 onwards. The Company is also investigating initiatives to help supply energy to remote communities and assist with transitioning those communities from diesel powered generators to combined natural gas and renewable energy solutions similar to deployed in remote areas of central and north Queensland.

Armour Energy's CEO, Brad Lingo said:

"This is a great step towards supplying local Northern Territory businesses and helping the Northern Territory Government and the Federal Government with their Gas Led Recovery objectives. The Company is also excited about the opportunity to help remote communities' transition from diesel to gas to renewable energy.

The Company has made a strong commitment to deliver on the strategic priorities outlined in August 2020 and we are very pleased to show investors that we can deliver on those commitments. More work clearly needs to be done but to deliver a material reduction in debt against the backdrop of the challenges that 2020 brought with the COVID-19 pandemic shows the resilience and commitment of the Company to deliver for shareholders."

This Announcement is Authorised by the Board of Directors

Karl Schlobohm
Company Secretary

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ASX Code: AJQ

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Michael Laurent – Chief Operating Officer
Toni Hawkins – Chief Financial Officer

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Nicholas Mather – Executive Chairman
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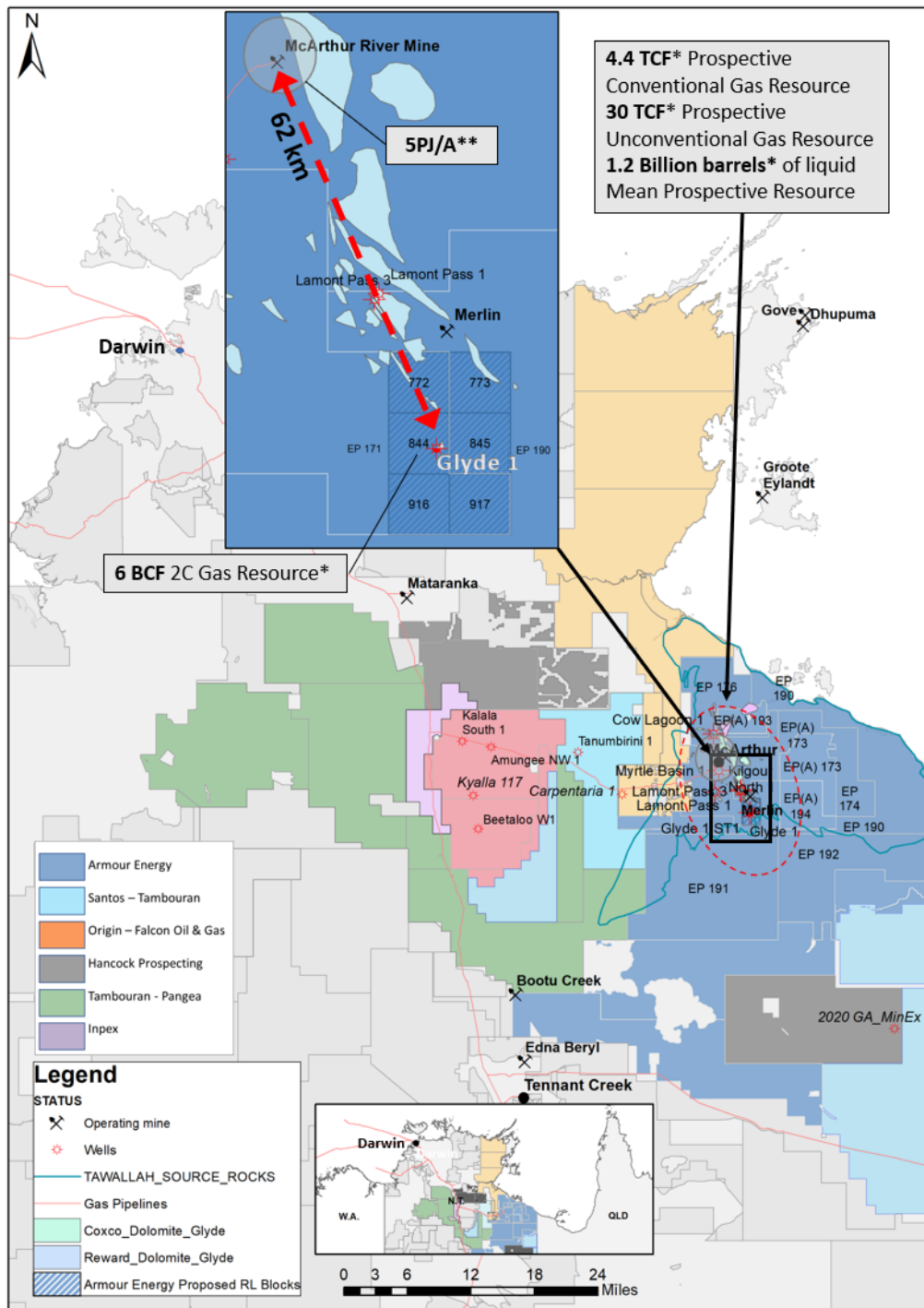
Twitter: @armour_energy

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Competent Persons Statement

Statements in this presentation as to gas and mineral resources has been compiled from data provided by Armour's Chief Operating Officer, Mr Michael Laurent. Mr Laurent's qualifications include being a professionally registered engineer in both Australia and Canada, has over 20 years of diverse oil and gas industry experience and has successfully held various senior managerial and GM positions. His career spans a number of sectors and includes expertise in reservoir, drilling, facilities, production and operations with particular emphasis on resource and business development. Experience is underpinned with strong strategic, commercial and technical acumen in both conventional and unconventional reservoirs. Prior to joining Armour Energy, Michael successfully held a variety of domestic and international technical leadership appointments. Most recently he worked for Santos where he was responsible for managing Cooper Basins oil and gas appraisal/development wells and field optimisation initiatives from inception through to approval and implementation. Mr Laurent 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. Mr Laurent has consented to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Figure 1. Location of proposed Glyde Field EP 171 and EP 190 RL application areas



Footnotes:

* Prospective Conventional Gas Resources as reported in ASX announcement 21 September 2015, (adjusted to conventional Coxco closure resource estimates in the SRK report of Sept 2015 which replaces the MBA and D&M estimates, with net reduction ~1% of total prospective best estimates resources)

* Prospective Unconventional Gas Resources adjusted for sale to Santos of South Nicholson Basin unconventional assets reported on 4 February 2021

** Estimated annual consumption of MacArthur River Mine.

(Armour is aware of potential exclusion zones nominated by the NT Government – Department of Primary Industry and Resources on 24 May 2019 which may result in a small percentage reduction in application licence areas.)