

Armour Energy Limited

18 February 2019

56% Increase in 2P Reserves Across Armour's Kincora Acreage

Highlights:

- Armour's independently verified 2P reserves have increased by 56% since the last assessment in October 2018, and now stand at:
 - 123.6 PJ of 2P gas reserves
 - 1,228,670 Bbls of 2P condensate reserves
- Continuation of reserves maturation across the Kincora Project with a full year (Dec 17 to Dec 18) increase of 100% for 2P reserves.
- Increase in reserves across the acreage confirms the long term potential of the Kincora Project.

The Directors of Armour Energy Limited (**Armour**, ASX: AJQ) are pleased to provide a reserves update on its operated Roma Shelf Assets, Queensland as part of the Company's Kincora oil and gas project ("Kincora Project") refer **Map 1**. During 2018 Armour continued work on the geological and engineering studies across the Kincora Project as well as the drilling of additional wells in Myall Creek and restarting production in the Parknook area. The results of these studies, new wells and the restarting additional existing wells have contributed to an independently assessed and verified 2P reserves increase of 56% since Armour's last reported reserves increase on 30 October 2018. These reserves have been evaluated in accordance with the Society of Petroleum Engineers – Petroleum Resource Management System (SPE-PRMS) guidelines, and are shown as follows in **Table 1**.

Total Reserves Myall Creek ⁽¹⁾	1P	2P (1P+2P)	3P (1P+2P+3P)
Estimated Total Gas (BCF)	34.8	108.7	258.5
Estimated Total Gas (PJ)	39.6	123.6	294.0
LPG (C3 C4) Yield (Tonne)	81,770	255,303	607,019
Condensate (C5) Yield (Bbl)	393,524	1,228,670	2,921,336

Table 1. Armour Energy reserves as per 31 December 2018

Notes:

- Petroleum reserves are classified according to SPE-PRMS.
- Petroleum reserves are stated on risked net basis with historical production removed
- All reserves are listed 100% Armour (reserves exclude Waldegrave JV area)
- Petroleum Reserves have no deduction applied for gas used to run the process plant estimated at 7%.
- BSCF = billion cubic feet, PJ = petajoules, bbls = barrels, gas conversion 1.137 PJ/BCF.
- 1P = Total Proved; 2P = Total Proved + Probable; 3P = Total Proved + Probable + Possible.
- LPG Yield 2065 tonnes/petajoule, Condensate Yield 9938 barrels/petajoule

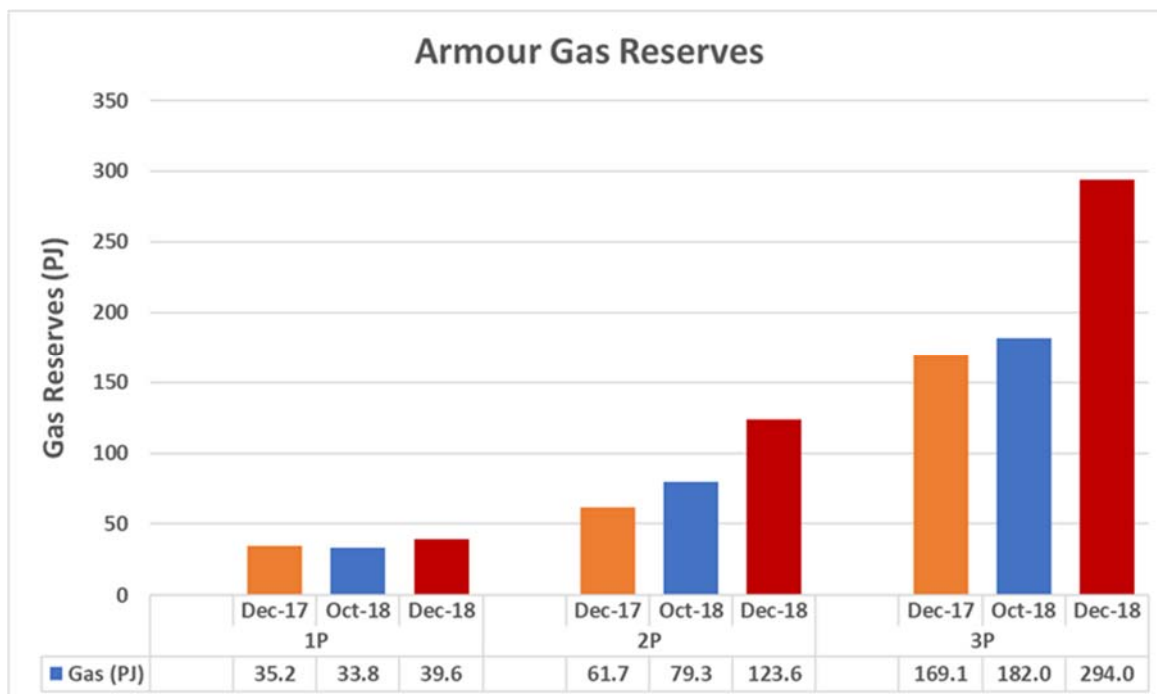


Table 2. Armour Energy gas reserves growth as per 31 December 2018

This latest reserves upgrade increases the full year (Dec 17 to Dec 18) 2P gas reserves by 100% confirming the ongoing and increased viability of the Kincora Project. This is further supported by recent announcements noting that:

- Armour has progressed to firm contracted gas supply with Australia Pacific LNG (APLNG) from its Kincora Gas Project (ASX announcement 6 Dec 18);
- Formal award of additional petroleum acreage near Armour's Kincora production facilities, as part of its Roma Shelf project (ASX announcement 21 Dec 18);
- Armour commences sales to the Queensland spot gas market (ASX announcement 21 Jan 19).

This latest reserves upgrade confirms Armour's position as having significant uncontracted gas that will support the Company's production growth during 2019 to our targeted 20 TJ/d and well into the future.

The Company also notes that revenues from liquids sales provide an uplift of approximately 25% on top of gas sales. This latest reserves upgrade also notes an increase in 2P condensate reserves of 100% over the year Dec 17 to Dec 18, as shown in the following table.

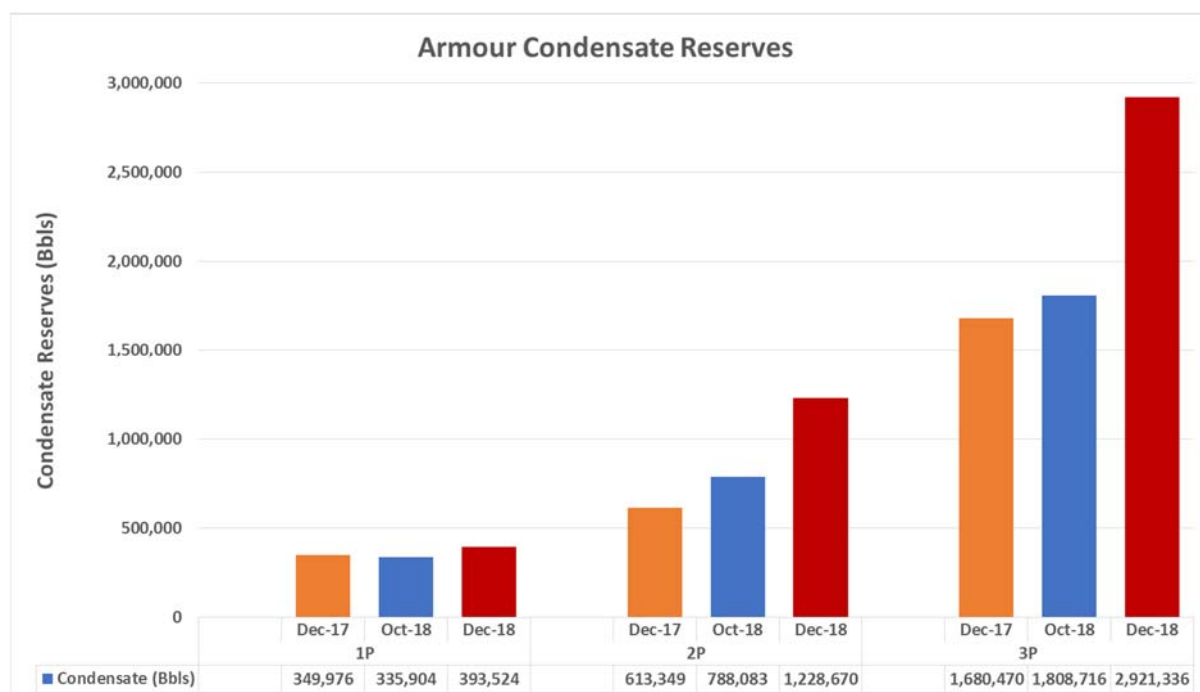


Table 3. Armour Energy condensate reserves growth as per 31 December 2018

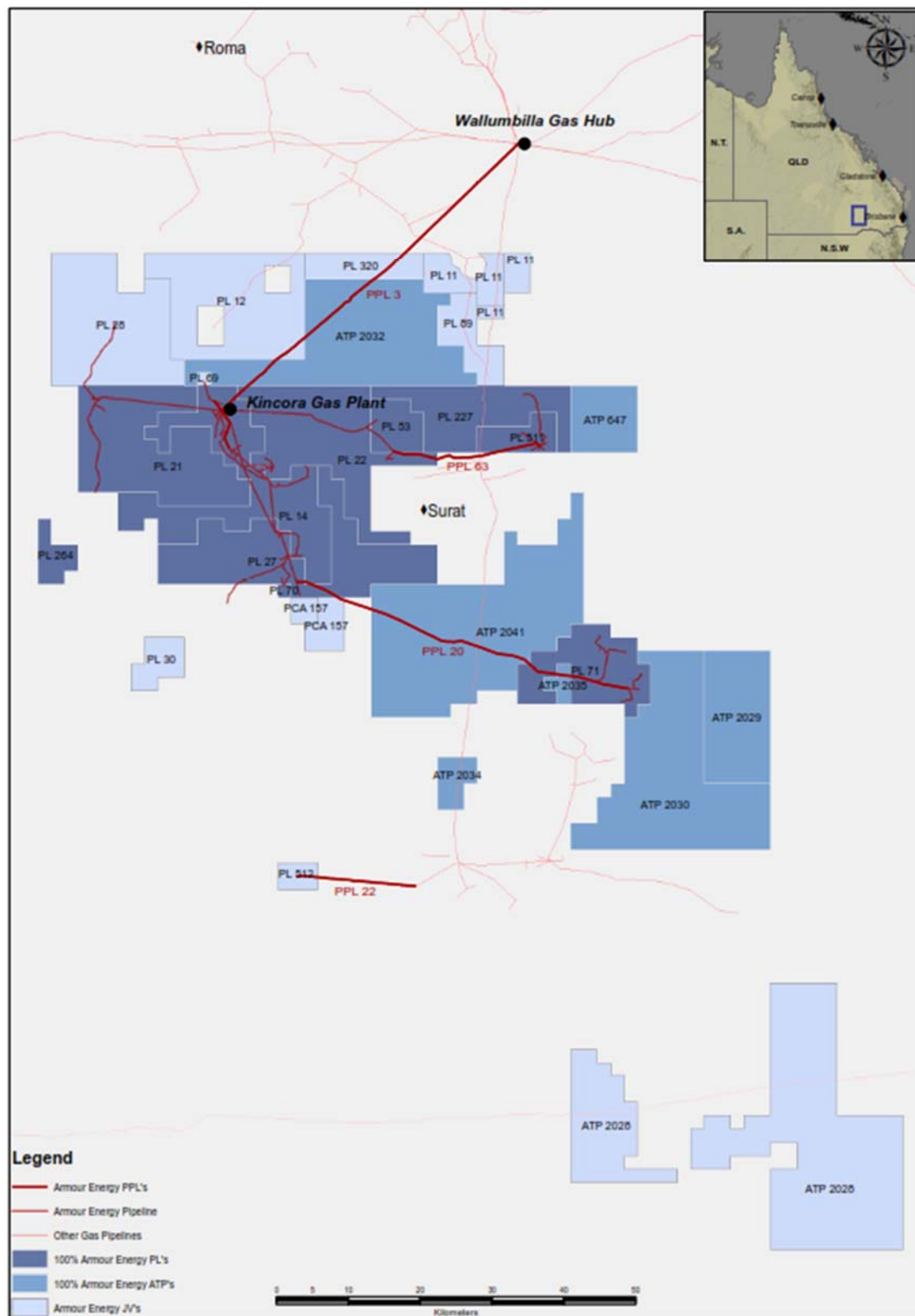


On behalf of the Board
Karl Schlobohm
Company Secretary

For further information contact:

Roger Cressey – CEO
07 – 3303 0620

Karl Schlobohm – Company Secretary
07-3303 0661



Map 1. Kincora gas project tenements, February 2019



Technical Statement – Petroleum Reserves

A report released on 18 February 2019 by SRK Consulting (Australasia) Pty Ltd, to which this announcement refers, documents the Reserves Update based upon Armour's successful drilling and sales production from the Myall Creek 4A well in PL 511 & PL 227 and 100% owned PL71 reserves upgrade.

The independently verified Reserves Update Report compiled by SRK Consulting (Australasia) Pty Ltd details a high degree of confidence in the commercial producibility of Permian aged reservoirs previously discovered and produced in operated granted petroleum licenses 71, 511 & 227 using 2D-3D seismic, historic and modern well data, reservoir pressure data, electric logs and rock properties from chip & core samples, gas composition analysis, hydraulic stimulation results, analysis of historical well production, decline curve analysis, offset field production data and prior production data from wells before the Kincora Gas Plant was shut-in by the previous operator, Origin Energy. The reported 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 petroleum Reserves are estimated by probabilistic methods and reported net of fuel and net to Armour to the APA Group metered sales connection to the Roma to Brisbane Pipeline (Run 2) at Wallumbilla and the report discloses the portion of petroleum Reserves that will be consumed as fuel in production and lease plant operations. Armour will be using calibrated metering and gas chromatographs at the Kincora Gas Plant as a reference point for the purpose of measuring and assessing the estimated petroleum Reserves from the produced gas.

The economic assumptions used to calculate the estimates of petroleum 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, new drills, hydraulic stimulation, workovers, recompletes and surface facility modifications to ramp up to and maintain a 20 TJ/day production profile for 15 years. The development model includes a starting and ending monthly schedule of working/net interest capital expenditure to develop and maintain the petroleum Reserves, operational expenditure to develop and produce the petroleum Reserves, fixed petroleum Reserve prices under-contract and escalated petroleum Reserve futures based upon Wallumbilla Hub prices, tax/royalty sensitivities, revenue from gross and net petroleum production yields and cash flow from petroleum production yields and summation of discounted cash flows.

The petroleum Reserves are located on granted petroleum licenses with approved environmental authorities and financial assurances. Armour has a social license to operate and relevant surface access agreements are in-place. Armour is the owner and operator of the Kincora Project and PPL3 sales gas pipeline which connects the Kincora Gas Plant to the Wallumbilla gas hub via the connection agreement with APA. Armour holds granted Petroleum Licenses over the reported estimates of petroleum Reserves, associated gathering and field compressors. The basis for confirming the commercial producibility and booking of the estimated petroleum Reserves is supported by actual historic production & sales and/or formation tests. The analytical procedures used to estimate the petroleum Reserves were decline-curve analysis to 50 thousand cubic-feet-day, historic production data and relevant subsurface data including, formation tests, 2D-3D seismic surveys, well logs and core analysis that indicate significant extractable petroleum.

The proposed extraction method of the estimated petroleum Reserves will be through approved conventional drilling and, where applicable, hydraulic stimulation techniques to accelerate production, commingle the productive zones and extract volumes from tight gas zones. Wellbores will be cased and cemented with a high pressure wellhead completion. Petroleum will be recovered through 2-3/8" production tubing and gathered to field compression sites for delivery to the Kincora Gas Plant.

Wellbores will be designed to protect aquifers and deviated drilling may be used to lessen the overall impact to surface owners, environmental receptors, strategic cropping and to consolidate surface infrastructure. Processing at the Kincora Gas Plant will be required to separate the extracted hydrocarbons into dry gas, liquid petroleum gas, oil and condensate and to remove any impurities prior to sales.



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.

Competent Persons Statement

Consents

The Reserves information in this ASX release is based on, and fairly represents, data and supporting documentation prepared by, or under the supervision, of Dr Bruce McConachie. Dr McConachie is an Associate Principal Consultant of SRK Consulting (Australasia) Pty Ltd and has a PhD (Geology) from QUT and is a member of AusIMM, AAPG, PESA and SPE. The Resources information in this ASX announcement was issued with the prior written consent of Dr McConachie in the form and context in which it appears.

The Reserves 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.

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.

“Prospective Resources” are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both a chance of discovery and a chance of development. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub-classified based on project maturity.

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.

Previously Disclosed Reports:

AEP021_Armour Surat Basin Reserves Update_Rev1, May 14, 2018

AEP022_Armour Basal Rewan Contingent Resource Estimation_Rev2, May 14, 2018

AEP022_Surat Prospects and Leads Resources_Main_Rev1, May 14, 2018

AEP022_Surat Prospects and Leads Resources_ATP754_Rev1, May 14, 2018

AEP022_Surat Prospects and Leads Resources_ATP1190_Rev1, May 14, 2018

AEP022_Surat Prospects and Leads Resources_PL71 Exploration_Rev1, May 14, 2018

AEP023_Armour Energy Limited Myall Creek Reserves Update Report, 29 October 2018

New Report

AEP024_Armour Energy Limited Surat Bowen Project Reserves Estimation Report, 18 February 2019