



Armour Energy Limited

28 October 2019

Operations Update – Uganda Project

Armour Energy Limited (**Armour**, the **Company**, ASX: AJQ) is pleased to provide the following update in relation to the Company's interest in the oil exploration project in Uganda.

Background

As the Company has previously advised¹ the Uganda oil exploration project is located within the Albertine Graben which has recorded discoveries of 6.5 billion bbl of oil in place. Armour was awarded the Kanywataba exploration licence by the Government of the Republic of Uganda (the **Government**) on 13 September 2017 (**EL 1/2017**). As previously advised, Armour holds the legal title to EL 1/2017, while DGR Global Ltd (ASX: DGR) has an 83.18% beneficial interest (with Armour holding the remaining 16.82 % beneficial interest).

Within EL 1/2017, the Company has identified multiple untested structural stratigraphic traps that are on trend with the Kingfisher oil field. The Kingfisher oil discovery (40km NE of EL 1/2017 and owned by a JV of CNOOC, Total and Tullow) has produced up to 12,000 bbl/d from commingled oil reservoirs from a single well. The Kingfisher oil field is expected to come online at 40,000 bbl/d once in production. Oil seeps on EL 1/2017 confirm a local working petroleum system. Armour's internal assessment of the Kanywataba block is a Best Estimate Risked Resource of 808 mmbbl Recoverable, as previously advised¹ and as set out in the Table below.

Kanywataba Block	Unrisked Prospective Oil Resource Estimate (MMBLS)		
	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.

¹ See ASX announcement 19 September 2017 *Exploration Licence Granted – Kanywataba Block, Uganda, Quarterly Activities Report for the Period Ended 30 September 2017*, and *Quarterly Activities Report for the Period Ended 30 June 2019*

Renewal of Exploration Licence (EL 1/2017)

The initial two year term of EL 1/2017 expired (in accordance with its terms) on 13 September 2019. On that day the Minister of Energy and Mineral Development of the Government (the **Minister**), wrote to the Company indicating that EL 1/2017 had been renewed for a further two years (until 13 September 2021), subject to various conditions including completion of the 2D seismic data survey discussed further below. The Company has confirmed with the Minister that EL 1/2017 has been renewed while the Company works through those various conditions, which in addition to completion of the 2D seismic survey, include determining what portion of the ground the subject of EL 1/2017 the Company will relinquish, and the provision of a performance guarantee in respect of the work program for the second term of the licence.

Unconditional Consent to the Transfer of Exploration Licence (EL 1/2017) from Armour to Armour Energy (Uganda) Ltd

As previously announced² Armour agreed with DGR Global Ltd to transfer EL 1/2017 to a project specific company in which Armour is to hold a 16.82% interest, and DGR Global Ltd an 83.18% interest. That company, Armour Energy (Uganda) Ltd, has been established as a wholly-owned subsidiary of Armour.

On 10 October 2019 the Minister wrote to the Company indicating that she has granted her unconditional consent to the transfer of EL 1/2017.

2D Seismic Data Acquisition Work Program

The Company refers to its *Quarterly Activities Report For The Period Ended 30 June 2019* in which it noted that the Company was expecting to commence a 2D seismic survey on the Kanywataba block in the coming weeks. Completion of that 2D seismic survey was part of the Minimum Work Program to be completed by the Company by 13 September 2019 pursuant to the *Production Sharing Agreement for Petroleum Exploration, Development and Production in the Republic of Uganda By and Between The Government of the Republic of Uganda and Armour Energy Ltd for Kanywataba Contract Area* dated 14 September 2017 (the **PSA**).

Due to a series of delays beyond the control of the Company, the Company was unable to complete the 2D seismic survey by 13 September 2019. As noted above, the Government has made it a condition of the renewal of EL 1/2017 that the Company complete the 2D seismic survey during the second term of the licence.

On 15 October 2019, the Company wrote to the Minister declaring that it was suspending work on the 2D seismic survey as a result of an event of Force Majeure (as defined under the PSA). In particular the Company stated that recent severe storms and flood in the Kanywataba Contract Area, have made it practically impossible for vehicles to traverse many of the access roads in the Contract Area, so that the Company's contractor cannot complete the line clearing, surveying or drilling activities necessary to complete the 2D seismic survey. The effect of this notice to the Minister is that the period of time during which the event of Force Majeure is operative, will be added to the end of the renewed term.

² See ASX announcement 19 September 2017 *Exploration Licence Granted – Kanywataba Block, Uganda*,

As at the date of this announcement, approximately 89% of the land clearing (being 96.06 km) and 86% of the surveying (being 93 km) necessary to carry out the 2D seismic survey has been completed. 810 boreholes (into which the seismic charges are to be placed), or 37.5% of the total, have been drilled.

Given the amount of work that was completed before work was suspended, the Company anticipates that it should be able to complete the 2D seismic survey relatively quickly once it resumes work. The Company is advised that water levels will likely have sufficiently subsided by early 2020, to allow work to recommence.



On behalf of the board
Karl Schlobohm
Company Secretary

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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.