

Armour Energy (ASX:AJQ)

ASX Announcement

9 August 2021

Exploration Update for Uganda Project

HIGHLIGHTS:

- Previously announced Force Majeure as a result of flooding and Covid-19 at Kanywataba lifted
- Exploration work recommences with 2D seismic survey to be undertaken
- 100 line kilometres of infill 2D seismic to refine prospectivity observed in the Kanywataba block

The Board of Directors of Armour Energy Limited (Armour; the Company; ASX:AJQ) is pleased to advise that exploration activity will recommence on the Company's oil exploration project in Uganda.

Background

As the Company has previously advised¹ the Company's Uganda oil exploration project (the **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 **Ugandan Government**) on 13 September 2017 (**EL 1/2017**).

EL 1/2017 was renewed on 13 September 2019 for a further period of 2 years². In October 2020 the renewed EL 1/2017 was transferred to Armour Energy (Uganda) SMC Ltd (**Armour Uganda**). As at the date of this announcement the ultimate holding company of Armour Uganda is the Company. The Company holds its interest in Armour Uganda through its wholly owned subsidiary, Armour Energy International Pty Ltd (**Armour International**). However as previously announced³ DGR Global Limited (**DGR**) has an 83.18% beneficial interest in the Project. In due course so many shares in Armour International will be issued to DGR, that it will hold 83.18% of the issued share capital of Armour International. The Company will hold the remaining 16.82% of Armour International, and Armour International will retain ownership of 100% of the issued share capital of Armour Uganda.

Declaration of Force Majeure rescinded

It was a condition of the renewal of EL 1/2017 that the licensee complete a 2D seismic survey during the second term of the licence.

However as previously announced, on 15 October 2019⁴ the Company wrote to the Minister of Energy and Mineral Development of the Ugandan Government (the **Minister**) declaring that it was suspending work on the 2D seismic survey as a result of severe flooding in the area of operations. This flooding constituted an event of Force Majeure (as defined under the Production Sharing Agreement between the Company and the Government of Uganda (**PSA**)).

1 See ASX announcement 19 September 2017 Exploration Licence Granted – Kanywataba Block, Uganda; Quarterly Activities Report for the Period Ended 30 September 2017 released to the market on 31 October 2017; and Quarterly Activities Report for the Period Ended 30 June 2019 released to the market on 30 July 2019;

2 See ASX announcement 28 October 2019 Operations Update-Uganda Project; and Quarterly Activities Report for the Period Ended 31 December 2019 released to the market on 29 January 2020.

3 See ASX announcement 19 September 2017 Exploration Licence Granted – Kanywataba Block, Uganda.

4 See ASX announcement 28 October 2019 Operations Update-Uganda Project; and 11 December 2019 Operational Update.

In early 2020, the actions taken by numerous governments and businesses in response to the spread of the COVID 19 virus caused severe disruption (and in some cases cessation) of world supply chains and international travel. Accordingly the Company was again prevented from continuing its work on the 2D seismic survey. As previously announced on 9 April 2020⁵ the Company again wrote to the Minister declaring that it was suspending work on the 2D seismic survey as a result of an event of Force Majeure.

The Company is pleased to announce that it has written to the Minister indicating that it will recommence work on the 2D seismic survey. One effect of the two notices to the Minister declaring Force Majeure, is that the periods of time during which the event of Force Majeure prevented the Company from carrying out the 2D seismic survey will be added to the renewed term of EL 1/2017. Accordingly instead of the renewed term of EL 1/2017 expiring on 13 September 2021, the term of EL 1/2017 will be extended well into calendar year 2022 or 2023.

As previously announced⁶ the Company has contracted with Teclab Limited to conduct the 2D seismic survey of the Kanywataba exploration acreage. The survey is expected to take approximately three months to complete in advance of the wet season.

Armour's CEO Brad Lingo said "We see great potential for profitable exploration at Kanywataba, and are very pleased that circumstances now allow us to recommence our activities there."

Updates will be provided to the market as the exploration program at Kanywataba proceeds.

This Announcement is Authorised by the Board of Directors

Karl Schlobohm

Company Secretary

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⁵ See Quarterly Activities Report for the Period Ended 31 March 2020 released to the market on 1 May 2020.

⁶ See Quarterly Activities Report for the Period Ended 30 June 2019 released to the market on 30 July 2019.