



ASX Announcement

Armour Energy Limited

11 December 2019

Operational Update

The Directors of Armour Energy Ltd (ASX: AJQ, Armour, the Company) are pleased to provide the following update.

HIGHLIGHTS

Operational:

- Myall Creek #4A, drilled in 2018, has been reconnected and is now producing at approximately 0.6 TJ/d.
- Stimulation has been successfully completed on Myall Creek #5A. It is anticipated that well flowback and testing will commence in the next week.
- Diagnostic testing of Horseshoe #4 has been completed. Currently installing production tubing prior to the perforation of the well bore and flow testing.
- Completion of Myall Creek North #1 is pending availability of a workover rig. It is anticipated that testing of the well will commence in the first week of January 2020.
- Recommissioning of several historic wells has been successful with a cumulative initial flow rate of 0.5 TJ/d. Armour intends to test the production potential of four historic oil wells in January 2020.
- Armour is currently preparing for its 2020 production drilling program with up to five technically mature gas well candidates, and two technically mature oil well candidates identified.
- Work associated with the Armour Uganda seismic survey is pending suitable ground conditions post flooding, with the aim of resuming seismic survey operations in early 2020.

Corporate:

- Armour has received the initial payment of \$15 million following the execution of the formal South Nicholson Basin Farmin Agreement with Santos.
- Marketing of farmin opportunity covering other Northern Territory exploration projects to accelerate in 2020.

Myall Creek #4A

Per Armour's ASX announcement of 8 October 2018, Myall Creek #4A initially commenced production at a rate of 0.7 terajoules per day (0.7 TJ/d). Subsequent to this, the well experienced issues with respect to water production from several formations and required further geological analysis.

Following further well interventions, Myall Creek #4A was returned to the testing phase in late November 2019. Gas bearing zones were isolated and the well ultimately flowed 1TJ/d prior to concluding testing (see Figure 1 – which shows the flare from Myall Creek #4A during testing). The well was subsequently recommissioned and is currently producing approximately 0.6TJ/d, which is contributing to the overall level of sales gas from the Kincora Project field.



Figure 1 – Photos of Flares associate with the test of Myall Creek November 27 – 28 2019

2019 Program

Armour is continuing the 2019 field program to complete the work associated with three wells: Myall Creek #5A, Myall Creek North #1 and Horseshoe #4.

Myall Creek #5A - As per Armour's ASX announcement of 25 November 2019, the Company completed the fracture stimulation of 2 intervals on the Myall Creek 5A well. Since this time, Armour has continued to work on the completion of this well (Figure 2 – SWS Workover Rig on site – 29 November 2019) and is currently installing the well's production string. Armour's current schedule indicates flowback operations will commence during the week commencing 16 December 2019, taking approximately 2 weeks to complete and Armour will provide a further update with the results of the well once flows are confirmed.



Figure 2 – SWS Workover Rig on Myall Creek 5A location, 29 November 2019

Myall Creek North #1 – as announced on 25 November 2019, Armour is currently waiting for the availability of the workover rig to complete the isolation, flowback testing and production of the Tinowon A interval. It is anticipated that the workover, completions and flow testing of the well will occur prior to the end of the year.

Horseshoe #4 – as per Armour’s ASX announcements of 12 November 2019 and 25 November 2019, Armour has completed the diagnostic tests of the well, and the design for well completion has been finalised.

The intention is to complete the well as a conventional production well by perforating both the Permian and Triassic sandstone intervals in the well. Whilst the intention of Armour was to have well completed by the end of the year, limitation on the availability of workover rigs and contractors, in addition to legislation restricting the movement of oversized heavy vehicles on public roads between 24 December 2019 and 2 January 2020⁽¹⁾, thereby preventing the movement of the workover rig from Myall Creek North #1 to Horseshoe #4, it is now forecast that the well will be completed in the first 2 weeks of January 2020. Armour will provide an update on the well results following the flowback and testing phase.

¹ Per the Queensland Access Conditions Guide – Route and operational access conditions for heavy vehicles – Section 9.2.1



Ongoing Operations, Workover and Recommissioning of Wells

Armour has continued its review of existing wells in the greater Kincora Project area. Armour's Development and Operations team has continued to review several oil and gas candidate wells to recommission, with the aim of incrementally adding additional gas and liquids into production.

Armour has recently recommissioned three gas wells which have collectively added initial production rates up to 0.5TJ/d being - Riverside #1 (0.1TJ/d), Parknook #2 (0.2TJ/d) and Kungarri #1 (0.2TJ/d).

Armour intends to commence testing and possible production of 4 historic oil wells, being Emu Apple #2, Emu Apple #3 and New Royal #7 and New Royal #8 in the first two weeks of January 2020.

Confirmation of the First Santos Payment

Armour is pleased to announce the first phase of the South Nicholson Basin farmin transaction has been completed, with the payment to Armour by Santos of the first \$15 million associated with the execution of the formal Farmin Agreement, as announced on 4 December 2019.

Preparation for 2020 Drilling Campaign

Armour is currently planning for the execution of the 2020 production program with up to five (5) technically mature gas candidate wells, and two (2) technically mature oil candidate wells having been identified. Long lead items and land access agreements are in the process of being finalised, to ensure that the proposed program can be delivered on time.

At this time, it is anticipated commencement of drilling will be in late Q2 2020.

The total number of wells and targets for the 2020 well program is still subject to optimisation review and budget review and may change based on these reviews.

Continued Marketing of Additional NT Exploration Joint Venture Opportunity in 2020

Prior to the commencement of the Moratorium of Hydraulic Fracture Stimulation in the Northern Territory, Armour had expended in excess of \$30 million in the drilling of five exploration wells. As a part of this exploration program, four out of the five exploration wells drilled resulted in hydrocarbon discoveries.

Following the successful completion of the South Nicholson farmin with Santos QNT Pty Limited, Armour is continuing to seek additional farmin partners to assist in accelerating the exploration of its Glyde and Greater McArthur Basin projects in the Northern Territory per Figure 3 - Northern Territory Farmin Opportunities.



Armour Uganda

As announced by the company on 28 October 2019, severe storms and flooding in the Kanywataba Contract Area made it impractical to complete the line clearing, surveying or drilling activities necessary to complete the 2D seismic survey.

Armour remains hopeful that that water levels will likely have sufficiently subsided by early 2020, to allow work to recommence.

A handwritten signature in blue ink, appearing to read "K. Schlobohm", with a long horizontal flourish extending to the right.

On behalf of the Board
Karl Schlobohm - Company Secretary

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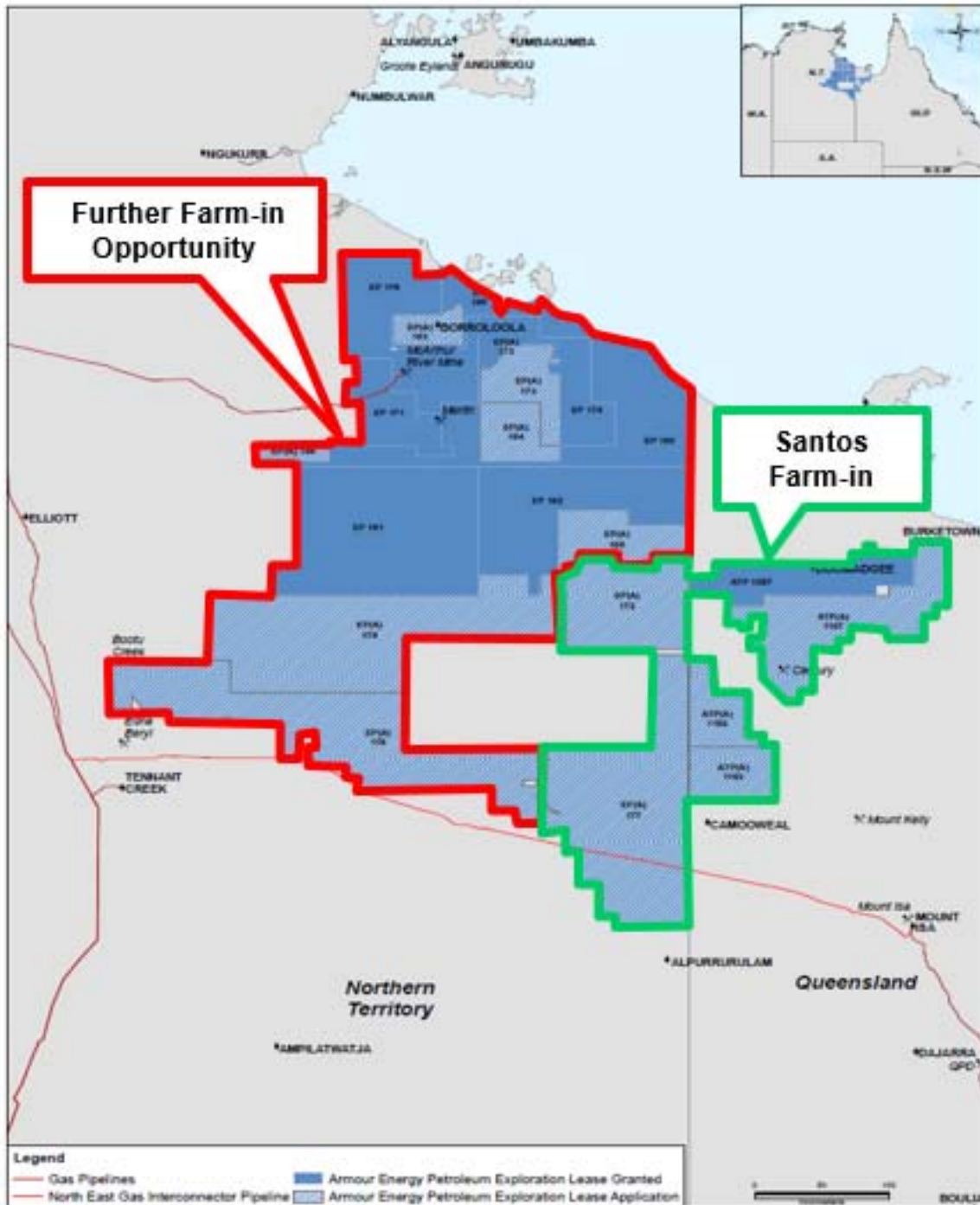


Figure 3 – Santos South Nicholson Basin Farmin Area plus remaining Northern Territory Opportunities



Forward Looking Statement

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