

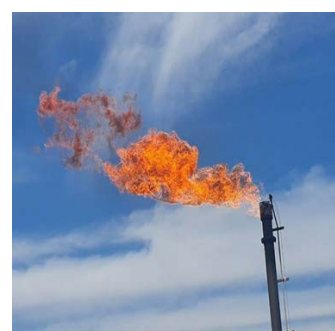
## Armour Energy (ASX:AJO)

### ASX Announcement 27 January 2021 Surat 2020 Work Programme Update

#### HIGHLIGHTS:

- Combined 2020 work programme delivering an estimated uplift of 3 TJ/d + associated liquids over the month of January 2021.
- The 2020 work programme continues to establish proof of concept in the Basal Rewan formation, unlocking new play potential throughout the greater Kincora Surat Project.
- Warroon #1, Horseshoe #2 and Horseshoe #4 are connected to the sales gas gathering network & continuing to clean up; further treatment intervention is planned to accelerate fluid recovery and improve performance.
- A number of production enhancement projects have been successfully executed and commissioned; collectively these wells are meeting expectations.
- Preparations are underway for larger 2021 work programme.

The Board of Armour Energy ("Armour" or the "Company") is pleased to provide an update on the Surat 2020 Work Programme which is being conducted on Armour's 100% owned and operated Kincora Gas Project.



2020 Work Programme Photos

#### Stimulation Programme Update

**Horseshoe #4** was connected to the gathering network on 23 December 2020. Gas rates have steadily increased to 260 mscfd over the course of January as the well continues to slowly recover frac fluids from the Basal Rewan.

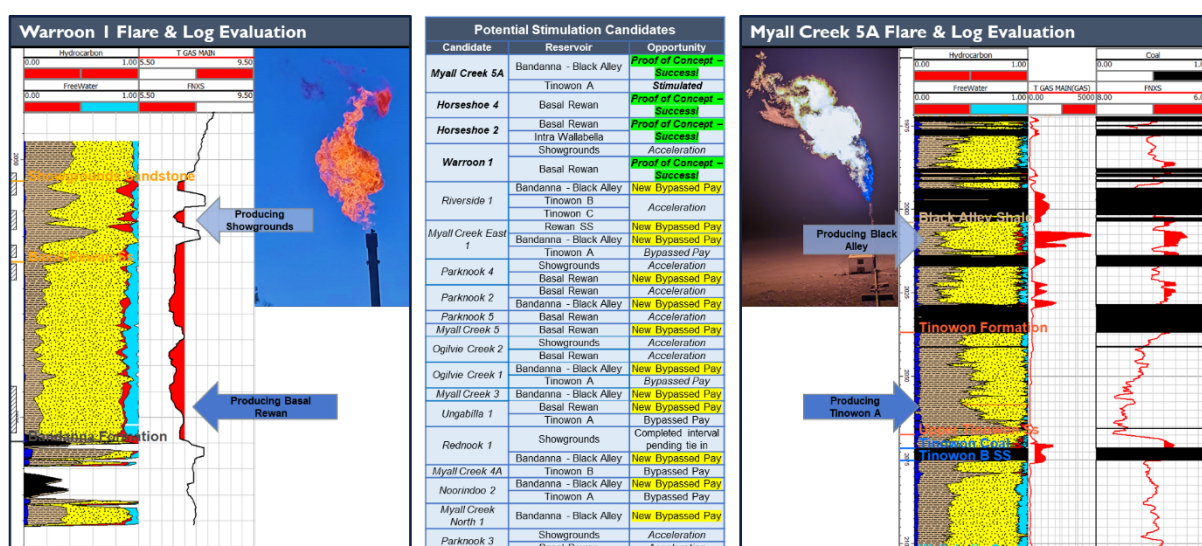
**Horseshoe #2** was connected and commenced flowing back to the gathering network from 28 December 2020. The well has been consistently unloading frac fluid unassisted over the course of January at a gas rate of 160 mscfd + condensate. It is suspected that the lower pressured *Intra Wallabella* zone is yet to contribute while the higher pressured Rewan formation continues to slowly unload frac fluid.

**Warroon #1** continues to consistently produce from the Rewan formation at around 400 mscfd. The well continues to additionally free flow condensate at approximately 15 bbls/d. The Showgrounds formation remains isolated while the company continues to evaluate the reservoir performance of the Rewan.

While Armour remains encouraged with the stimulation execution and reservoir response, the well clean up period is taking longer than anticipated. A **remedial frac treatment** for all three wells is currently planned for the first week of February. The aim of this treatment is to accelerate the recovery of frac fluids by dissolving any residual hydrated polymers from the frac fluid allowing the reservoir greater connectivity to the well bore. The effectiveness of this treatment should be known within 7 to 14 days following the application.

Overall, the Company remains encouraged with both the Horseshoe and Warroon stimulation results. Specifically, the Basal Rewan results establish the potential for a significant new pay zone across Armour's existing well stock. Identification of **bypassed pay** zones is possible due to advancements in logging technology allowing for the identification of mineralogically complex sandstones with hydrocarbon saturation suitable for hydraulic stimulation. The Company is particularly encouraged by the sustained high bottom-hole pressures in the Basal Rewan and higher levels of permeability (1.6 mD) identified in the Warroon #1 well. These encouraging initial results pave the way for a potential material reserves maturation plan to unfold across Armour's Surat acreage from the Rewan formation.

Armour Energy is using both new and existing data to finalize candidates for a **2021 Work Programme**. The Company is planning to execute this new work programme, which will include fracture stimulations activities within its existing well stock, during the first half of 2021. Bypassed pay & tight gas stimulation candidates (ref. 18 December 2020 AGM CEO Presentation) are the primary targets.



Bypassed pay & tight gas stimulation candidates (ref. 18 Dec 2020 AGM CEO Presentation)

Armour Energy's CEO, Brad Lingo said:

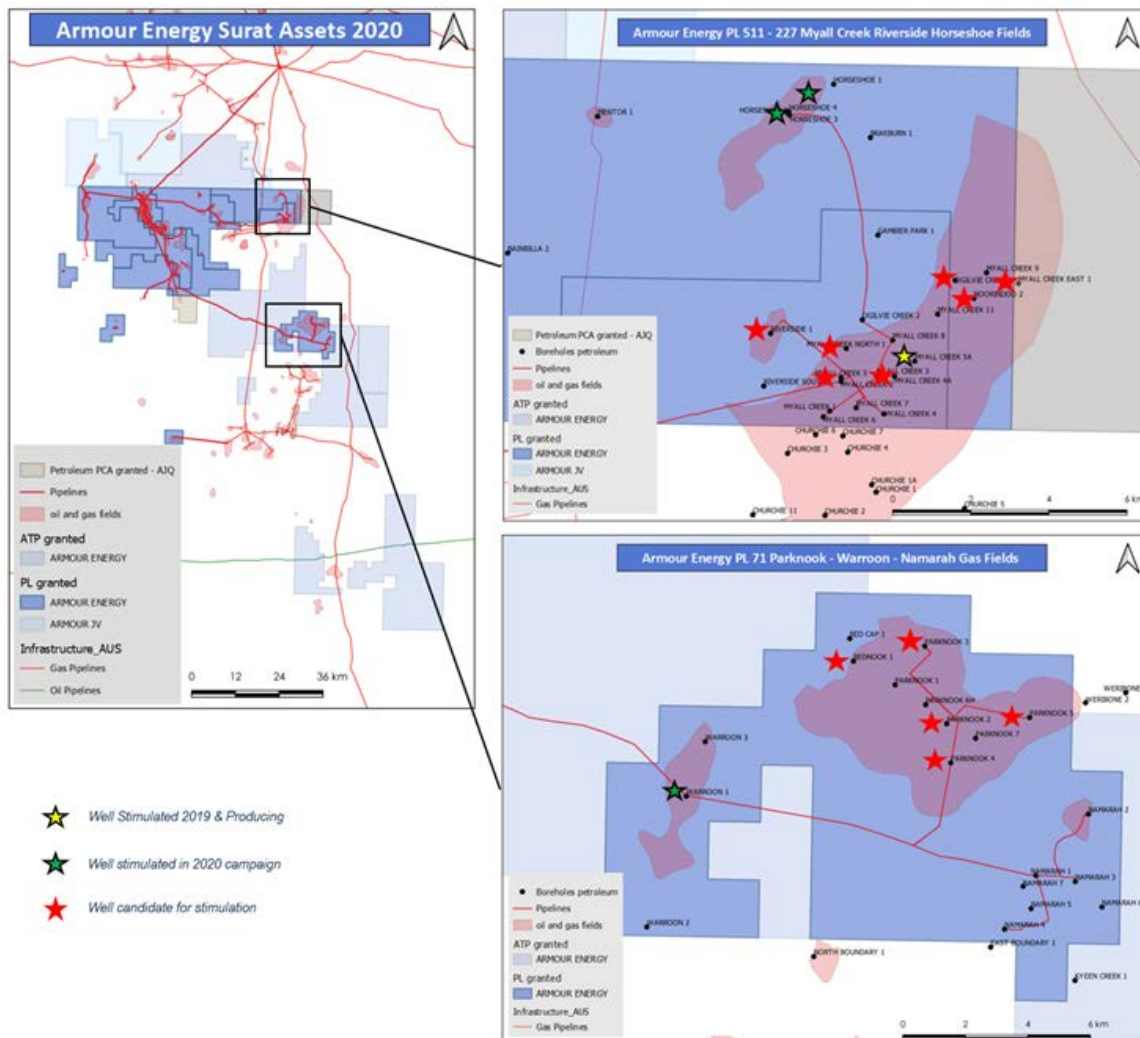
"We are highly encouraged with these early indications in unlocking the Basal Rewan bypassed pay play across the Company's Surat acreage. The higher observed and expected reservoir pressures demonstrate that this formation has the potential represent a virgin, un-depleted reservoir with higher permeability – albeit still a tight reservoir requiring fracture stimulation."

Mr. Lingo added:

"These results are laying out the road map for a further expanded programme which the Armour team is currently working on, and to be executed throughout CY2021. The fundamental objective of this new programme is to deliver by CYE2021 an additional 8 TJ/day of sales gas production from the Company's current base production level. The Company has the gas gathering and processing capacity through the Kincora Gas Processing Plant and the delivery capability to deliver up to 20 TJ/day of sales gas into the Wallumbilla Gas Hub. More importantly, the Company is receiving very strong interest from gas buyers to secure long-term gas supply arrangements from the Kincora Gas Project at the same time gas prices are demonstrating a very strong recovery."

Mr. Lingo continued:

"This will require a significantly increased level of activity and investment and the Company's technical team is confident that we have a deep catalogue of in-wellbore opportunities to develop and a sufficiently strong understanding of these plays to deliver this result."



Location of Surat Stimulation Candidates

## Other Surat Production Enhancement Activities

As part of the 2020 Work Programme, artificial lift was installed on four existing wells. The installation of a reciprocating sucker rod pump in the well bores of **Myall Creek #3** and **Myall Creek #4** has allowed these wells to continue to flow to the gathering network below the critical rate required to lift liquids. In this way, Armour receives the benefit of reliably pumped liquids to sales while also enabling gas to flow to surface uninhibited by liquids in the tubing.

Plunger lift systems were also installed on **Sandy Creek #2** and **Carbean #1**. This system restores the natural gas decline on wells flowing below critical rate and loading up with liquids. Plunger lift systems reduce operational costs and allow for continuous remote optimisation. Both wells have responded in-line and within forecasted expectations.

The balance of the sales gas increase in January is the result of numerous optimisation initiatives across the field as well as the temporary reinstatement of a previously cased and suspended well in the Myall Creek field. The pipeline and permanent tie in of **Myall Creek #5** is among the initiatives being assessed for the 2021 work programme.

**This Announcement is Authorised by the Board of Directors**

**Karl Schlobohm**

**Company Secretary**

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