

Armour Energy (ASX:AJQ)

ASX Announcement

23 September 2021

Re-Stimulation of Warroon #1 Well

HIGHLIGHTS:

- **Armour will re-stimulate the Warroon #1 well, commencing October 2021.**
- **Warroon #1 Rewan sandstone was originally stimulated in Nov 2021, but failed due to a gel problem which is the subject of a dispute notice with the contractor who performed the stimulation.**
- **The Rewan sandstone remains an attractive candidate for production stimulation.**
- **Armour will partner with a private entity who will fund 100% of the capital cost of the re-stimulation in return for a share of the incremental production achieved.**

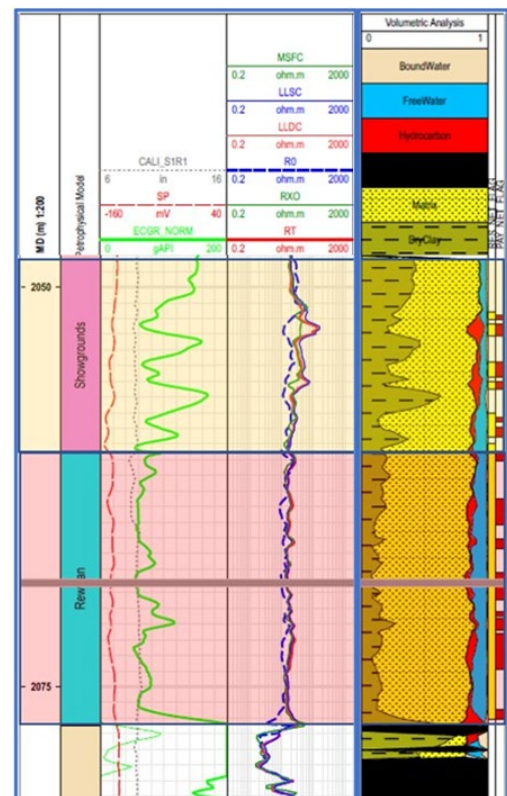
The Board of Directors of Armour Energy Limited (Armour; the Company; ASX:AJQ) is pleased to advise that the Warroon #1 well will be re-stimulated. The activity will commence around the middle of October 2021. The capital cost of the re-stimulation will be funded 100% by a private entity, consistent with previous guidance that Armour would seek partners to fund production enhancement work programs.

Background on the Warroon #1 well and stimulation

The Warroon #1 well was drilled by Hematite Petroleum in 1979 targeting the Showgrounds sandstone and produced 8.1 mmscfd on DST. The well was completed in the Showgrounds sandstone and produced 3.5 BCF of gas, 95,500 bbls of condensate and 6,950 tonnes of LPG. Additionally, an unexpected gas saturated Rewan section was encountered immediately below the Showgrounds which flowed 150 mscfd, however was deemed too tight to complete at that time.

The Company's 2020 work program targeted a single stage fracture stimulation in the gas saturated Rewan section directly underlying the Showground sandstone. Petrophysical analysis indicated a gas-saturated porous zone throughout the upper Rewan sand interval. Prior to conducting the stimulation programme this was confirmed with Schlumberger's Pulsar logging tool back in August 2020.

In November 2020 the frac service company contractor conducted the stimulation. As announced on 18 March 2021, the gel in the frac failed to breakdown following the proppant placement, impacting matrix flow and causing the low-side outcome. Armour has issued a dispute notice to the contractor with regards to the services provided in respect of the wells executed during the 2020 work program.



Warroon #1 Well Log – Upper Rewan Target Interval

Armour has pursued mediation under the contract to secure remediation by the service company contractor in connection with this work program. These efforts to secure an agreed rectification from the service company contractor have been unsuccessful to date. As such Armour intends to pursue other options to secure a full remediation of the work program from the service company contractor.

Technical work by Armour and independent consultant, NSI, reaffirms the potential of the Rewan sandstone. The company will therefore re-stimulate this interval with its funding partner.

The activity will commence mid-October and incremental production is expected to go through a clean-up process to recover stimulation fluid. After the clean-up phase, the Warroon #1 well will commence flowing additional gas into the Kincora Gas Gathering System for processing and sale via the Kincora Gas Processing Plant. It is anticipated that the Warroon #1 stimulation programme and clean-up process will take approximately 10 to 14 days.

Armour will now partner with a private entity to fund the activity. The investing entity is owned by a group of private investors unrelated to the Company, including parties with deep experience in fracture stimulation. The private entity will fund 100% of the capital (estimated cost of \$700k) and receive 50% of the incremental revenue produced above the current well production profile less costs for a period of six years, while Armour will retain the remaining income.

Armour's CEO Brad Lingo said "We are excited to see further investment in the field and realise the full potential of the Warroon-1 well. Armour sees further opportunity for partnering to fund value-adding work programs and to enhance production."

This Announcement is Authorised by the Board of Directors

Karl Schlobohm

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