

Armour Energy (ASX:AJQ)

ASX Announcement

22 November 2021

Armour Secures Farmin Partner to Surat Acreage

HIGHLIGHTS:

- **Armour has agreed indicative terms with Gas2Grid (ASX:GGX) to farm-in to 519 km² of Surat basin acreage (see Figure 1).**
- **Subject to binding documentation, Gas2Grid's total investment will be in excess of \$12 million, including the drilling of 3 new wells, fracture stimulation, and funding 100km² of new 3D seismic.**
- **Upon completion of the funding obligations, Gas2Grid will earn a 50% interest in the Riverside and Myall-Bainbilla blocks.**
- **In partnership with Gas2Grid, Armour intends to acquire a total of ~400 km² of new 3D seismic, larger than any 3D Seismic survey ever completed in the Surat Basin.**

The Board of Directors of Armour Energy Limited (Armour; the Company; ASX:AJQ) is pleased to advise that the Company has agreed indicative terms with Gas2Grid for a farmin. Gas2Grid will fund 3D seismic acquisition, drilling, and fracture stimulation activity in exchange for 50% equity in a portion of Armour's Surat Basin acreage. The investment will increase Armour's production in 2022, and the 3D seismic activity is expected to define many drilling opportunities, similar to the transformational impact 3D seismic has had in the Cooper Basin.

Riverside Farmin

Riverside 1 was drilled in June 1997 targeting the Tinowon formation. The Riverside Tinowon C is estimated to contain 2.6 bcf Original Gas In Place but has produced negligible gas to date. It is a low permeability but overpressured formation making it an excellent candidate for fracture stimulation. In addition to the Tinowon C, there are other formations behind pipe which are good candidates for fracture stimulation.

The Riverside field is a large 480-acre structure, which is well mapped based on 3D seismic data. There are additional drilling opportunities based on existing 3D Seismic.

Gas2Grid will earn a 50% interest in the Riverside Farmin block. This Farmin block is a 30 km² subset of PL 511 comprising the Riverside field but excluding the Myall Creek field. Gas2Grid will earn its interest by funding the drilling of a new well, Riverside North-1, and subsequently funding a two-stage fracture stimulation in either Riverside North-1 or the existing Riverside-1 well.

The new well, Riverside North-1, is to be drilled by no later than 30 June 2022. The two-stage fracture stimulation is to be complete by no later than 30 September 2022.

Myall-Bainbilla Farmin

The Myall-Bainbilla Farmin block is a 489 km² block comprising PL22, PL53, PL227, and ATP647. The farmin block is to exclude existing production wells.

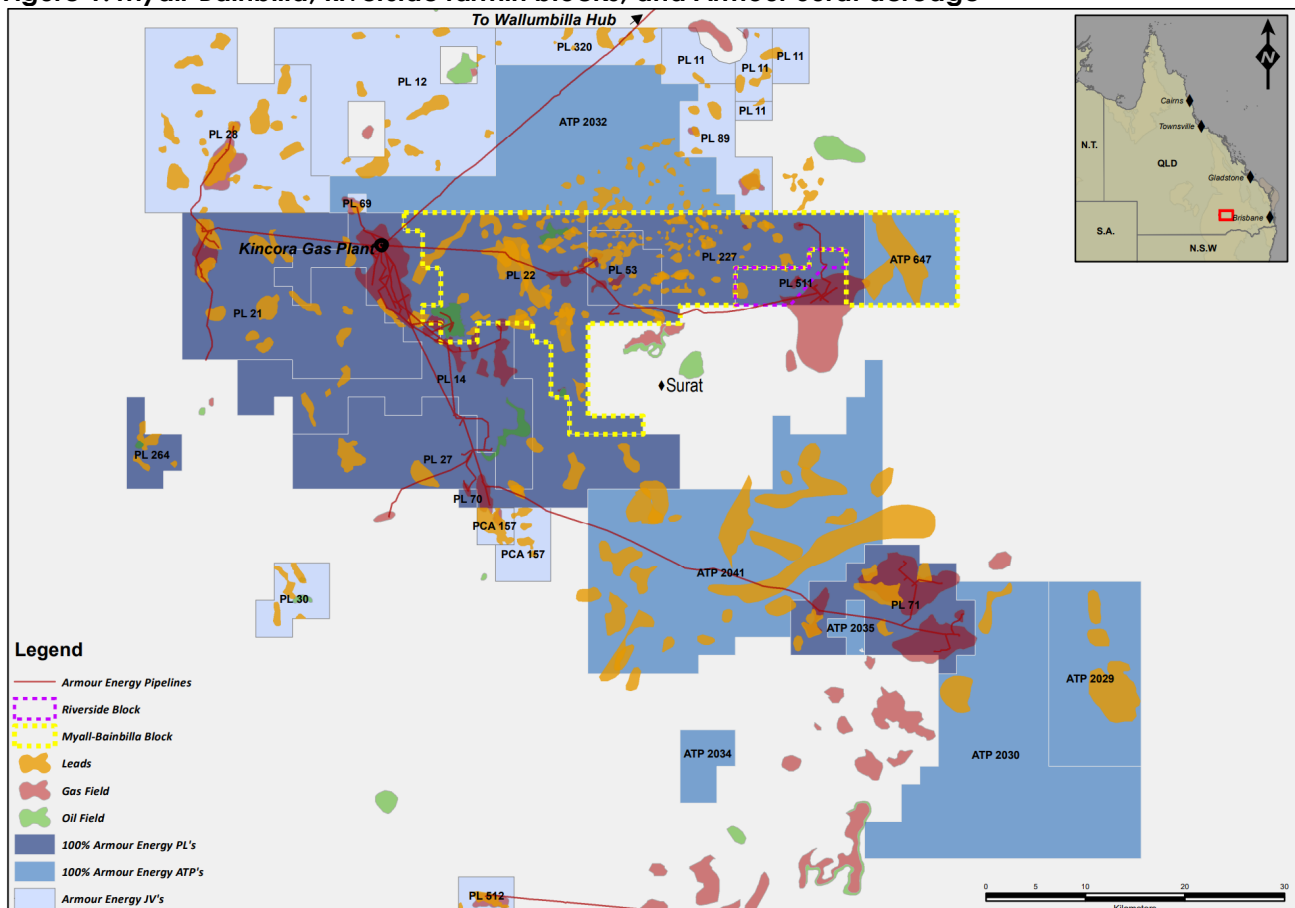
A small portion of the block (58 km²) is covered by 3D seismic which was acquired in 2004. Armour and Gas2Grid are planning to re-process this dataset using modern inversion techniques. Armour's initial work suggest that the inversion technique could potentially identify a north easterly extension to the Myall Creek field which has been one of the most prolific fields within Armour's Surat acreage.

The remaining 431 km² of the Myall-Bainbilla Farmin block has no 3D seismic coverage but is rich with leads from 2D Seismic. Armour plans to shoot 3D seismic over a large portion of this acreage, representing the first seismic acquisition in the project area in 25 years. The 3D seismic will provide a better understanding of the structural and stratigraphic complexities of the area by utilising world class nodal technology, thereby unlocking the significant remaining prospectivity of the area and providing numerous low-risk, highly economic drill ready prospects targeting both gas and oil. Proximity to Armour's infrastructure will provide rapid monetisation of discovered hydrocarbons.

Gas2Grid will earn a 50% interest in the Myall-Bainbilla block by fully funding seismic re-processing, acquisition of 100km² of full-fold 3D seismic, plus drilling two new wells. The total 3D seismic area acquired will be approximately 400km², with Armour and Gas2Grid jointly funding a portion exceeding Gas2Grid's farmin obligation.

The seismic reprocessing is to commence in December 2021, followed by drilling of a well in this acreage by no later than 31 December 2022. The new 3D seismic to be acquired commencing no later than 31 December 2022, followed by drilling of a well by no later than 30 June 2023.

Figure 1: Myall-Bainbilla, Riverside farmin blocks, and Armour Surat acreage



The Farm-Out Agreement is non-binding, allowing the parties three months to prepare binding documentation. The binding documentation will include Farmin Agreements, Joint Operating Agreements, and a Gas Processing and Transportation Agreement to enable Gas2Grid to process and transport its 50% share of gas production.

Upon completion of the Myall-Bainbilla and Riverside Farmin obligations, Gas2Grid will earn a 50% interest in a 519 km² subset of Armour's Surat Basin acreage which totals 3564 km².

CEO Comment

Armour's CEO Brad Lingo said "We welcome our new partners, Gas2Grid, to Armour's Surat Basin acreage and we look forward to their contribution to the joint ventures given their deep knowledge of the acreage. In particular, we are excited by the 3D seismic activity which we believe will transform the acreage, similar to the transformation we saw in the Cooper Basin when 3D seismic was introduced."

This Announcement is Authorised by the Board of Directors

Karl Schlobohm

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Michael Laurent – Chief Operating Officer
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