

ASX Announcement

Armour Energy Limited

28 October 2020

Surat 2020 Work Program Update

Hydraulic Stimulation Activities Commencing

Highlights:

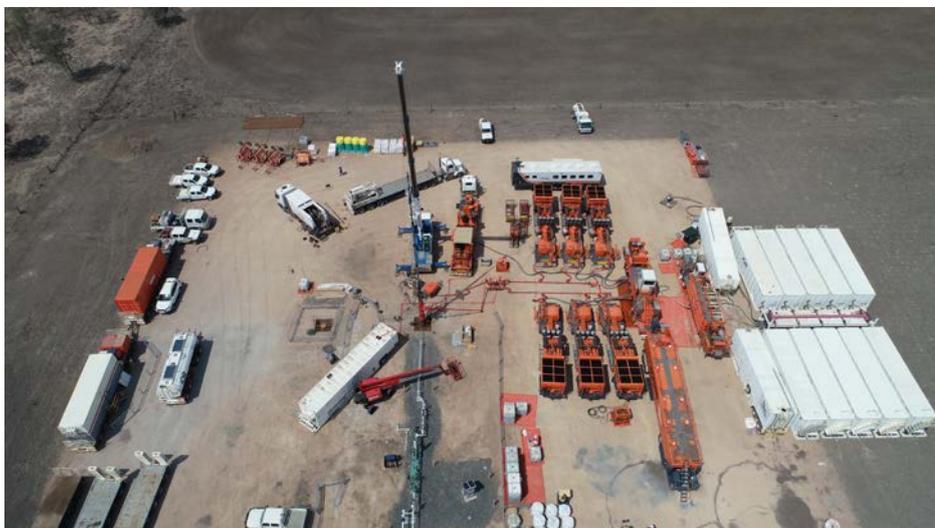
- **Pre-stimulation workover activities successfully completed on time/on budget.**
- **Armour’s 3 well hydraulic stimulation program to commence on 30 October 2020.**
- **Horseshoe #4 will be initially stimulated, followed by Horseshoe #2 and Warroon #1.**
- **Artificial lift production enhancements progressing as part of the 2020 work program.**
- **All activities are expected to be completed and wells online by the end of November.**

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

Pre-stimulation activities successfully completed – on time and on budget

Armour has successfully completed the pre-stimulation activities on its current work program. These activities included lease, well-site and access road preparation, well downhole preparation including the removal of production tubing, data collection and the cementing in of new casing over the open hole section in Horseshoe #2.

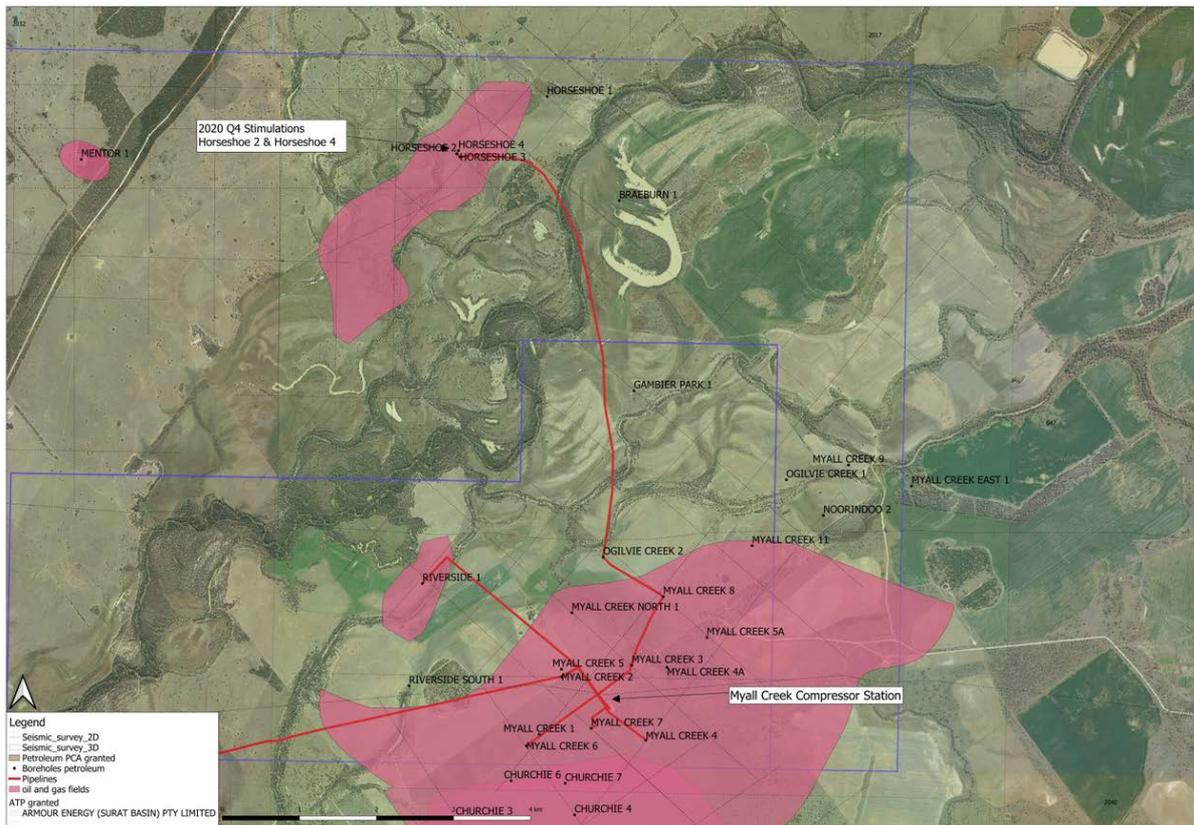
The Company has awarded the 3-well stimulation programme to Condor Energy Services Pty Ltd (“Condor”) and Condor has mobilized the stimulation programme equipment to the Horseshoe #4 well site (see photo below). The Horseshoe-4 stimulation will commence shortly.



Stimulation of Myall Creek 5A during the 2019 Work Program Campaign (Typical layout)

Overview of Horseshoe#4 stimulation programme

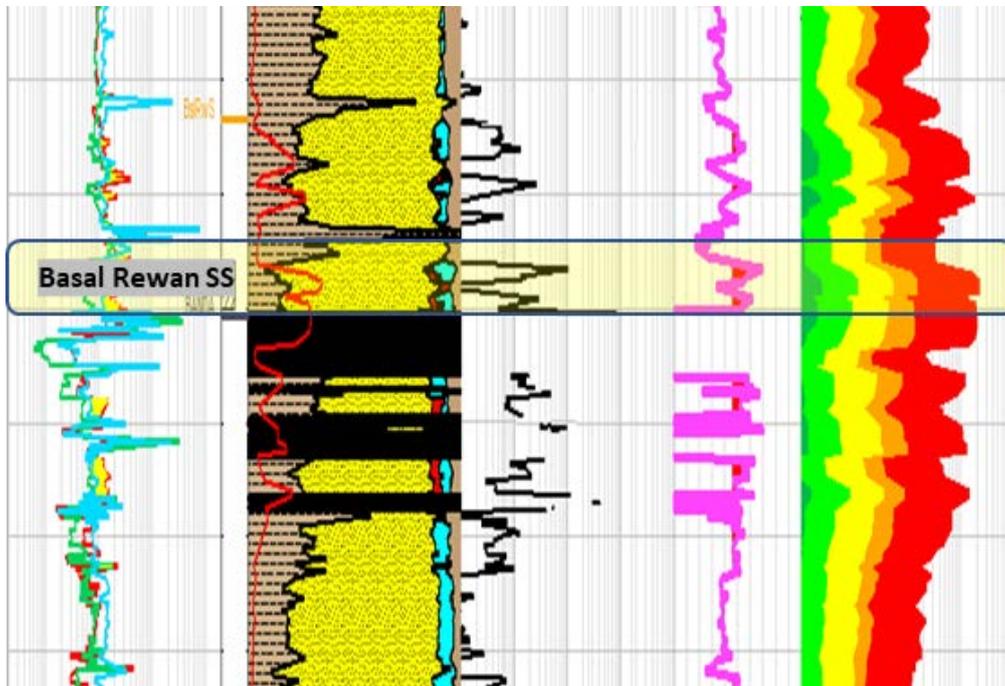
The Horseshoe #4 well was drilled in late 2019. Following drilling of Horseshoe #4, MDT logs were run and indicated the highest gas peaks in the Triassic Basal Rewan sandstone which was perforated and flowed gas to flare at a rate of 1.3 MMscf/d (reference Armour's 17 January 2020 ASX announcement). The well was quickly connected, and gas conserved. The Horseshoe #4 well is connected to the Horseshoe gathering system which is connected by an 8km flow line to the Myall Creek Compressor Station (see map below) and has been shut-in awaiting completion of the stimulation programme.



Horseshoe Gas Field Map to Myall Creek Compressor Station Map

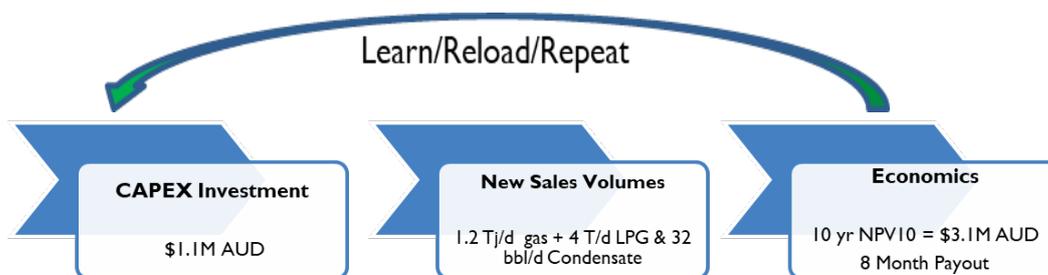
The Basal Rewan is a relatively tight gas formation in the Horseshoe #4 well which initially produced when perforated. Information acquired from the MDT logs indicate that the gas-saturated Basal Rewan interval in Horseshoe-4 will benefit from hydraulic stimulation. Regulatory approval to stimulate this well was granted earlier this year.

The Horseshoe-4 programme is planned to be a single-stage stimulation of the Basal Rewan sandstone over a 4-metre interval between 1936 metres to 1940 metres. The programme planned is a large stimulation utilizing approximately 82,000 lbs of proppant.



Horseshoe #4 Well Log – Basal Rewan Targeted Interval

The result is expected to deliver a strong commercial outcome with a quick payout which will allow the invested capital to be quickly recovered and reinjected back into future programs.



Horseshoe 4 CAPEX Investment and Expected Payout

Following completion of the stimulation of the target Basal Rewan interval, the well will go through a clean-up process to recover stimulation fluid. Following this clean-up phase the Horseshoe #4 well will commence flowing gas into the Horseshoe Gas Gathering System for processing and sale via the Kincora Gas Processing Plant. It is anticipated that the Horseshoe #4 stimulation programme and clean-up process will take approximately 10 to 14 days.

The Company plans to provide updates on the Horseshoe #4 stimulation programme upon completion of the stimulation and clean-up process, and when gas commences flowing into the Horseshoe Gas Gathering System and again after the Horseshoe #4 well has been producing for 30-days on a stabilized basis.

Stimulation programme – Next Stages

Following the completion of the Horseshoe #4 stimulation programme, Condor will mobilize the stimulation equipment to the Horseshoe #2 well location to conduct a 2-stage stimulation programme targeting the same Triassic Basal Rewan targeted in the Horseshoe #4 well but also the deeper gas-saturated Intra Wallabella sandstone. Following the completion of the Horseshoe #2 stimulation programme, the stimulation equipment and Condor crew will mobilize to the Warroon-1 well location to conduct a single-stage stimulation programme targeting the Rewan sandstone interval directly under the Showgrounds sandstone which has been the primary production interval for the Warroon Gas Field.

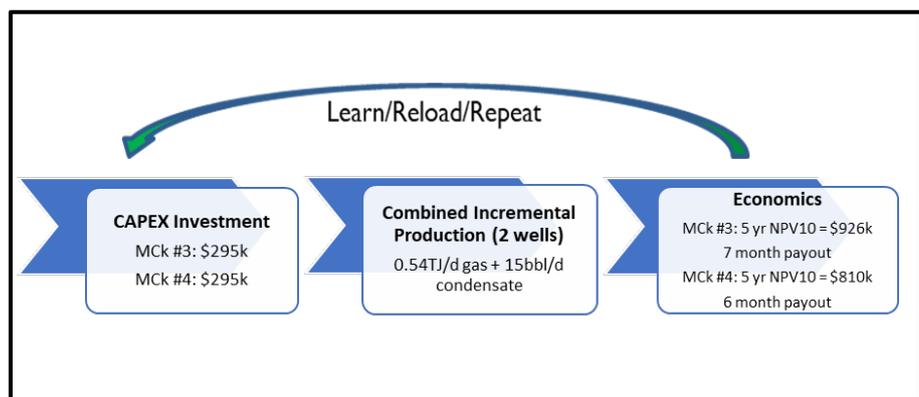
The entire three-well stimulation programme is expected to cost approximately \$4.7 million and to be completed by the end of November 2020 with all three wells producing and flowing gas into Armour’s Surat Basin Gas Gathering System to the Kincora Gas Processing Plant for additional gas sales.

Overall, the programme is targeting achieving an aggregate initial increase in daily sales gas production of approximately 4 TJ/day (Best estimate) with a potential aggregate high-side outcome of up to approximately 7 TJ/day sales gas (High estimate).

Other Surat Production Enhancement Activities



Further, as part of the 2020 Work Program, artificial lift will be installed on a number of existing wells. These low risk activities are designed to artificially lift liquids and enhance production. A workover rig will install a reciprocating mechanical pump deep in the well bores of Myall Creek 3 and Myall Creek 4. The pump supported by a wellsite generator and pump controller and will remove the liquids and restore gas production. The relatively low capex investment and quick payout make these types of projects commercially attractive (see figure below).



Artificial Lift Typical Set Up & Forecasted Outcome

The 2020 work program has been designed not only to increase production from existing well stock, but to capture learnings that can be incorporated into additional production enhancements efforts.

Results will be used to optimise Armour's next program which is planned for the first half of 2021. Additionally, these two programs are expected to support the de-risking of new drilling locations and contribute to the reserves maturation plan.

Armour Energy's CEO, Brad Lingo said:

"Armour has established a very clear set of priorities and deliverables. Increasing production from our Surat Basin assets is our No. 1 priority. We are incredibly focussed on delivering this programme and the team has prepared very well to deliver it in a period of significant operational challenges. Armour has a very significant catalogue of similar projects across the Surat Basin and we are very focussed on delivering them on time and on budget to deliver increased gas and liquids production, sales and cash flows."

This Announcement is Authorised by the Board of Directors

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