

Exploration, Commercialisation and Corporate Update

Armour Energy Limited (**Armour** or the **Company**) (ASX: AJQ) is pleased to provide the following information regarding the Company's key projects throughout Australia and recent corporate and commercial developments.

HIGHLIGHTS

- Capital raising and non-core asset sales processes continue in order to discharge Secured Amortising Note debt and provide working capital. Current underwritten capital raising to be completed on receipt of shareholder and secured amortising noteholder approvals
- Surat Basin re-focus on new exploration and development wells to achieve 10TJ per day target
- Firm 2024 gas sales agreement @ 5TJ per day with Shell Australia at over \$12GJ – significant price improvement over current APLNG gas sales agreement expiring 23 Nov 2023
- Kincora Gas Project (Surat Basin) leads and prospects inventory completed showing 99PJ Original Gas Initially in Place (OGIIP)
- Newstead Field, Kincora Project (Surat Basin) 7.9PJ gas storage project under evaluation to develop a gas storage and trading strategy
- Victorian PEP169 Enterprise North-1 target, Otway Basin Victoria (AJQ 51%) being remapped indicating approximately 100 BCF recoverable targeting drill and test in 2nd half of CY2024
- Additional leads and prospects being developed in PEP169 (Otway Basin) from merged and reprocessed seismic data sets and expected to be finalised shortly
- Conditional gas processing and farm-out proposals under consideration for PEP169
- Northern Territory basins exploration programs underway and McArthur Basin farm-out or sale planned
- Heads of Agreement to supply 7PJ to the Merlin Diamond Project over 14 years
- Cooper Basin gas resources assessment underway. Previously in 2013, a 2C resource was announced by Senex (the previous license holder) for the 'Paning' Prospect of 421BCF 2C contingent gas resources

In the last 3 months Armour has continued to focus on executing several strategic initiatives aimed at improving gas deliverability in the Surat Basin as well as accelerate several exploration and commercial opportunities across its diverse and extensive portfolio in conjunction with progressing its capital raising programs.

CAPITAL RAISING AND SECURED AMORTISING NOTES

Armour continues to execute on its capital raising program to fund its ongoing activities and discharge its secured amortising note debt.

Over the last 2.5 years the Secured Amortising Note debt has been reduced from \$55M to approximately \$17.2M and is currently approximately \$10M ahead of the original principal amortisation schedule through capital raisings, operations and asset sales. Armour made its quarterly interest payment on 29 June 2023 on the Secured Amortising Notes. Armour has proposed, subject to Noteholder consent, to:

- defer the 29 June 2023 \$2.75M scheduled principal payment until 14 August 2023;
- make the next \$2.75M principal and interest payment due on 29 September 2023 as scheduled; and
- repay the full outstanding balance of the Secured Amortising Notes by 30 November 2023.

Armour has finalised and dispatched to its shareholders the Notice of Extraordinary General Meeting and accompanying Explanatory Memorandum required to obtain the necessary shareholder approvals to complete the balance of the recent fully underwritten \$32M capital raising program with the shareholder meeting to be held on 2 August 2023. Consents and approvals will also be required to be obtained from the Secured Amortising Noteholders to enable the issue of the Armour Convertible Notes and these will be requested of Noteholders by way of a proposed Special Resolution of Noteholders and accompanying explanatory memorandum to be provided to Secured Amortising Noteholders during July 2023. The underwriting agreements in relation to the current capital raising are conditional upon the Armour shareholder and Secured Amortising Noteholder approvals and consents being obtained.

Subject to necessary shareholder and Noteholder approvals, Armour intends a further convertible note issue to repay the balance of the existing secured amortising notes and provide further working capital. Armour will provide the opportunity for Secured Amortising Noteholders to convert into Armour convertible notes. The largest holder of Secured Amortising Notes, DGR Global Limited, together with other existing Noteholders including Bizzell Capital Partners Pty Ltd (BCP) have expressed their desire to exchange their existing Secured Amortising Notes for the new Armour Convertible Notes subject to any necessary Shareholder and Noteholder approvals.

In addition, the Company is negotiating project level funding for a 5-well program in the Kincora Project, Surat Basin, which will be supported by the strength of the new gas sales agreements.

SURAT BASIN (Queensland)

Exploration and Development Program

Over the last 6-months, Armour has been evaluating the most efficient, least risk and cost-effective method of meeting its target CY2023 exit gas production rate of 10TJ/day. Previously, the company had advised it was evaluating several well intervention (fracture stimulation) targets within its existing well stock. Following on from a rigorous sub-surface and wells review process, Armour has determined these objectives will be best served by expanding its new well exploration production drilling activities. New wells significantly reduce downhole risk and maximise strategic resource utilisation via planned sequential access and production from stacked sand channel reservoirs evident in the seismic interpretation.

Myall Creek 3D Seismic Reprocessing

Armour previously announced it had engaged SLB (formerly Schlumberger) to reprocess the 'Myall Creek' 3D seismic data using a specific workflow to extract maximum benefit from the legacy data which was acquired in 2004. This 6-month process is nearing completion. Early interpretation on the workflow products has delivered the desired uplift and reduction in risk in identification of specific target gas reservoir formations. The subsequent analysis and interpretation will feed into the selection of two drilling targets to be included in this summer's proposed drilling program for which tenders have been let.

Armour has recently completed a prospective Resource assessment* and identified 99PJ of undiscovered prospective Resources (2U) in 42 prospects and leads; 41PJ (2U) in CBM prospects in ATP 2032; and 45 PJs (2U) at Myall Creek North East in PL227 & ATP647. Importantly, the Myall creek North East target not previously drilled and on seismic interpretation not connected to the Myall creek field has been assessed to hold 30PJ of prospective gas resource.

The Company is well advanced in review and planning to drill up to four infill and development gas wells and one oil well across its Kincora Gas Project production licenses. These wells will be adjacent to existing infrastructure and compression facilities and therefore be placed to deliver prompt revenue uplift for the 100% owned Kincora gas project in the event of discovery.

Gas Sales at Over AU\$12/GJ Planned for CY2024

In February 2023, Armour announced the signing of a Master Sales Agreement (MSA) with Shell Energy Australia Pty Ltd (SEAU), a wholly owned subsidiary of the Shell Group. The initial 13-month gas sales agreement, pursuant to the MSA, starts 1 Dec 2023. Armour will receive AU\$12 per GJ for a firm 5TJ/day from 1 Dec to 31 Dec 2023 with a material uplift in pricing from 1 Jan 2024 to Dec 2024. Armour will receive an added benefit via a 'front-ending' mechanism that aims to deliver higher cash flows in the first 6-months of CY2024 through a higher initial gas price.

Myall Creek-5a

Gas flow rates at Myall Creek-5a continue to increase. Production is now over 350,000 cubic feet/day with 9.3Bbls/day of condensate being produced with the gas. The well continues to improve as the de-watering process recovers approximately 40Bbl/day of heavy fluids likely attributed to the 2019 post-frac workover. Given the large amount of kill fluids used as well as the likelihood of previously unrecovered frac fluids, it is expected this well will take further time to return to its pre-workover production levels.

Network De-Bottlenecking and Well Programs

SLB have also been engaged to assist with development of a network simulation model to evaluate opportunities for improvement in efficiencies of the ~350km pipeline gathering network at Kincora. This body of work is nearing completion with several operational improvements to be implemented in the 2nd half of CY2023, including finalising well modelling to determine optimum completion and artificial lift solutions as well as planning and implementing modifications to field compression. Armour expects to achieve 15-20% production uplift from these activities.

Surat Basin 'Newstead' Field Gas Storage Facility

Armour has progressed its technical understanding of its 100% owned and operated 'Newstead' gas storage facility in Queensland. Having access to 7.9PJ of gas storage optionality presents unique potential to provide seasonal swing capacity at high gas price margins to the east coast gas market. Armour is aiming to commercialise this asset over the next 12 months as the operating, development and commercial models mature.

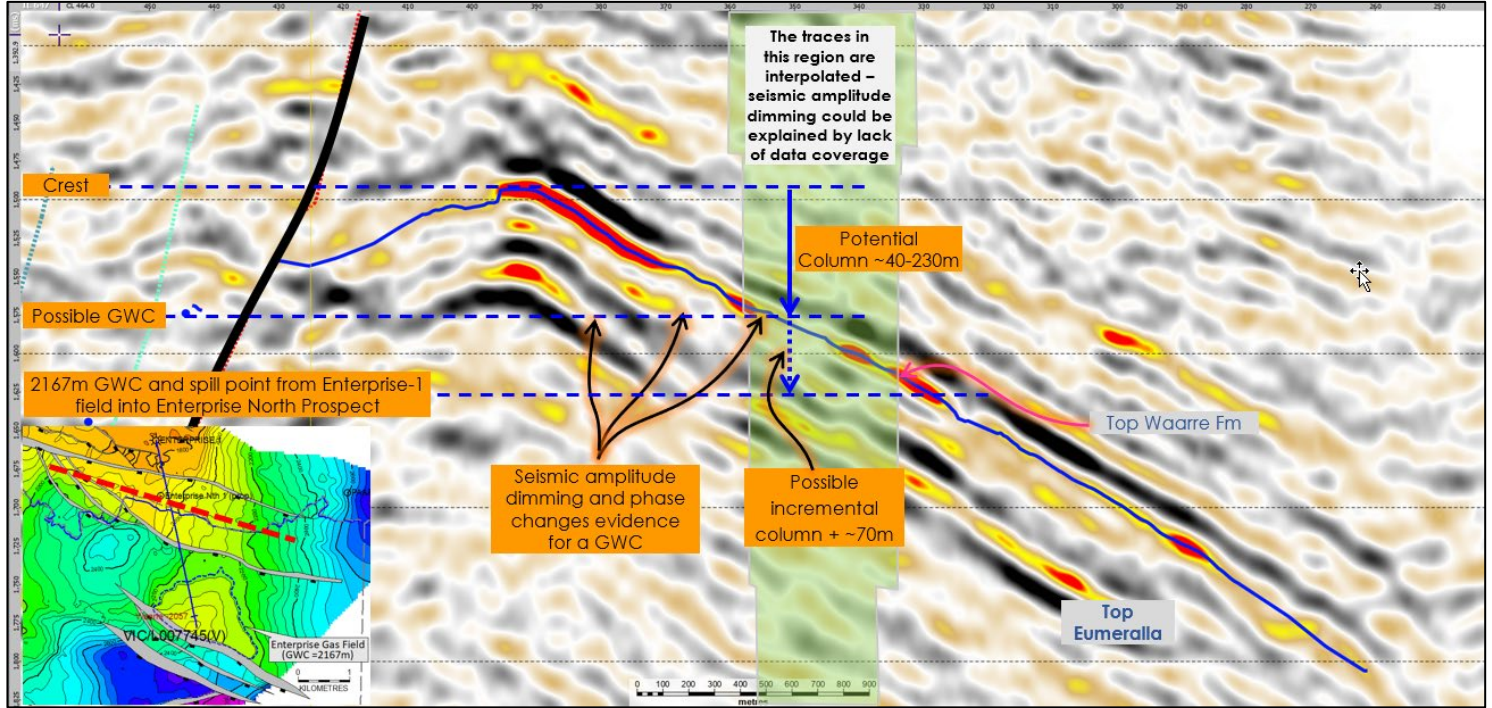
PEP 169 EXPLORATION PROGRAM, OTWAY BASIN (AJQ 51%) (Victoria)

During 2023 Armour made considerable progress in a detailed review of the hydrocarbon prospectivity across PEP169, which to date has identified multiple undrilled structures with a combination of drill-ready prospect and lead status opportunities based on a compiled reinterpretation of several available 2D and 3D seismic data sets.

Detailed seismic interpretation, fault-seal modelling and new petrophysical assessment of Beach Petroleum's adjacent Enterprise-1 well data indicates several important conclusions in respect of the main prospect Enterprise North-1, adjacent to the Northern edge of Beach's 'Enterprise' discovery (Beach reported Enterprise discovery, 161PJ 2P recoverable, tested at 63 MMscf per day),

1. that the hydrocarbon column suggested from Enterprise North-1 could range between 40-230 metres high, compared to a gross column in Enterprise (Beach Petroleum) of 129 metres.
2. that the Enterprise North-1 prospect has likely been charged, at least in part, from gas spill from the Enterprise field.
3. the gas composition of 89% methane CH₄ evident in Enterprise is most likely to be present in Enterprise North Prospect.
4. Evident structural closure and coincident amplitude anomaly supports a filled to spill hydrocarbon trap.
5. a prognosed prospect size of approximately 100 BCF recoverable.

A) Enterprise North Prospect on the 2017 Enterprise Transition Zone 3D



B) Enterprise Field for Comparison on the 2017 Enterprise Transition Zone 3D

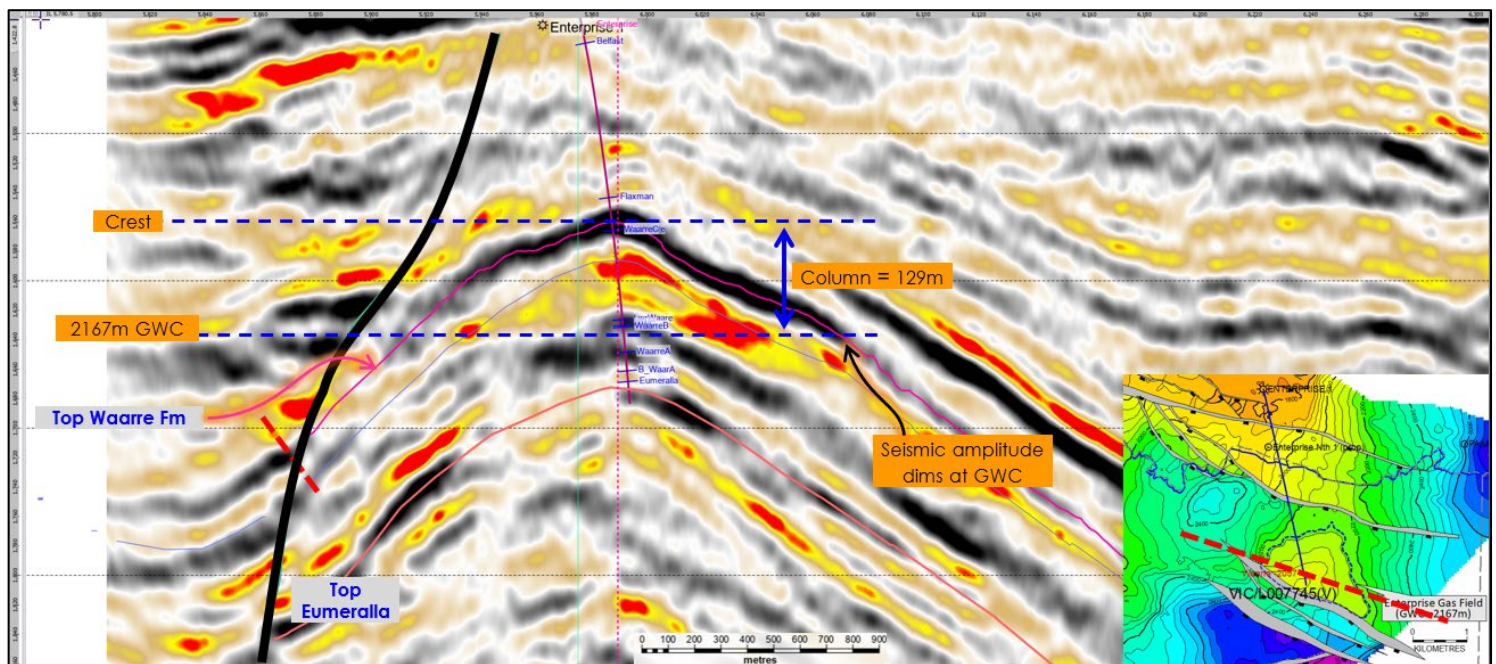


Fig 1 above: key transects across the Enterprise North prospect A) and the Enterprise field B) on the existing Enterprise transition zone 3D (PSTM)

The timing of Enterprise North-1 exploration is now scheduled for spud mid-CY2024. Ongoing approvals are progressing with Native Title considerations requiring additional planning and preparation. The drilling of Enterprise North-1 in 2024 and the new inventory of opportunities being developed in PEP169 (51%AJQ) gives rise to the possibility of an aggregated drilling campaign which presents an opportunity to deliver cost efficiencies to a broader project. Several factors, including proximity and access to onshore processing infrastructure, shortfalls in gas supply to existing third party facility and continuing strong demand for domestic gas supply, are driving rapid commercialisation of gas in the Otway Basin making PEP169 some of the best placed acreage for Exploration & Production activities in Victoria.

Gas processing and farm-out proposals are under consideration for PEP169 which may provide stand-alone funding for the proposed drilling and also provide for an expedited commercialisation of a gas discovery utilising existing gas processing infrastructure.

NORTHERN TERRITORY

Armour has recently undergone a reset of the McArthur Basin exploration strategy and is in the final stage of permit renewals for the next 5-year exploration term across its acreage. Exploration efforts will focus on a 2-tier integrated strategy, initially evaluating the extent of the conventional gas play fairway whilst continuing to develop the unconventional shale potential of the Basin, for which regulatory approval has been recently forthcoming. Conventional gas has a clear path to commercialisation in the Basin, demonstrated by the Heads of Agreement executed in Feb 2023 between Armour Energy and Australian Natural Diamonds Ltd, a wholly owned subsidiary of Lucapa Diamond Company Ltd, to supply approximately 7PJ's of gas to the Merlin Diamond Project for the life of mine estimated at 14 years. The agreement reinforces the hydrocarbon potential of the McArthur Basin in the Northern Territory and Armour Energy's ability to provide gas to the domestic market, particularly in supporting local mining activities.

As a priority Armour started its operational and environmental approval process at the same time as it commenced its Native Title holder engagement. This aligns with existing Native Title agreements. The initial work program aims to test the Glyde gas discovery and to acquire new 3D seismic data, both scheduled for the 2nd half of CY2024. The intent is to re-enter the Glyde well and undertake an extended well test to quantify the gas resources, pressures and flow rates ahead of further proposed appraisal drilling. As a second phase of activity new 3D seismic data will be acquired to allow for the planning of further appraisal wells over the Glyde discovery. Armour is pursuing farm-in partners for its greater McArthur Basin prospects.

COOPER BASIN EXPLORATION (South Australia)

Armour has commenced a review of the resource potential of the greater deep Permian wet gas play resource and possible appraisal options for the 'Paning' gas discovery by Senex across the existing PELs and PRLs. Well review and published regional studies indicate that some of the thickest and highest net to gross coal intervals in the Cooper basin are in the Arrabury Trough, at the north-eastern end of the Patchawarra Trough, which makes this play a notable and potentially significant addition to the Armour Energy Prospects and Leads Inventory. Previously in 2013, a 2C resource was announced by Senex for the 'Paning' Prospect of 421BCF 2C contingent gas resources.

As previously highlighted, Armour intends to complete an airborne AEM-PTP survey to assist in the imaging of hydrocarbon fluid migration pathways in the subsurface across its Cooper Basin portfolio. Survey design, planning and regulatory approval workflows are progressing. Acquisition timing has been deferred from mid-June to mid Nov 2023, to allow Associated Activity Licences to be completed which will allow calibration over existing fields adjacent to Armour's permits.

Nick Mather, Armour Executive Chair, said

"There are several near-term opportunities that provide Armour with relatively straightforward pathways to delivering value from its outstanding portfolio. The opportunity to accelerate development and monetize exploration discoveries offers a significant advantage in meeting east coast market demands and provide the basis for the delivery of Armour's capital raising and non-core asset sales program. We are particularly excited by the potential for increased production at the Kincora Gas Project and for a significant gas discovery at the Enterprise North Prospect in the Otway Basin both projects of which we regard as core to Armour's growth"

This Announcement has been authorised & approved by the Board of Armour Energy for ASX lodgement.

Geoff Walker

CFO & Company Secretary

ASX: AJQ

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COMPETENT PERSONS STATEMENT: Pursuant to the requirements of the ASX Listing Rules Chapter 5, the resource reporting contained in this announcement and pertaining to the Surat Basin interests was prepared by Peter Bubendorfer who is an employee of the Company having more than 5 years' experience in the petroleum industry and is a member of the AAPG (American Association of Petroleum Geologists), and a qualified Geologist who has sufficient experience that is relevant to the style and nature of the petroleum prospects under consideration and to the activities discussed in this document. He has reviewed the information and supporting documentation referred to in this announcement and considers the prospective resource estimates to be fairly represented and consents to its release in the form and context in which it appears. His academic qualifications and industry memberships comply with the criteria for "Competence" as defined in clause 18 of the Valmin Code 2015. Terminology and standards adopted by the Society of Petroleum Engineers Petroleum Resources Management System 'SPE-PMRS 2018' have been applied in producing this document. (***Methodology:** Surat Prospective Resources are calculated on a deterministic basis | CBM Prospective Resources are calculated on a probabilistic basis | Myall Creek North Prospective Resources are calculated on a deterministic basis)