

ASX Announcement

Operations Update

22 December 2022

The Board of Directors of Armour Energy Limited (Armour; the Company; ASX:AJQ) is pleased to provide an update on its Surat Basin operations activities.

Highlights

- Rednook-1 well connected to sales with initial constrained (16/64 choke) gas rate of 0.53TJ/Day after 24-hours stabilised flow.
- Myall Creek-5A coiled tubing intervention planned for January
- Liquids rich 'Rewan' Formation becomes focus of further development opportunities
- CY23 production optimisation planning well advanced
- Otway Basin: Enterprise North-1 approval process proceeding on schedule

Operations Update

In-Well-Bore (IWB) Programme 2H-2022

Throughout November and December, Armour has continued to progress production enhancement initiatives through its 'in-well-bore' programme.

Restoring production to Myall Creek-5A continues to be one of the primary objectives of the campaign. Following rig release after workover operations in late October, the Rewan Formation was comingled with the Black Alley in preparation for nitrogen assisted lift operations. While production from the Black Alley remains suppressed by completion fluids, the over-pressured and unstimulated Rewan Formation continues to produce gas to sales. Unlocking access to the Rewan Formation was a secondary objective however, further demonstrates the potential of this reservoir across the field. The forward plan is to mobilise a coil tubing unit in early January to recover completions fluids inhibiting flow from the Black Alley. The coil will also attempt to mill out obstructions in the lower bottom hole assembly isolating the Tinowon-A Formation which has not contributed to date. Restoration of production is targeted for mid-January.

Rednook-1 is a stranded gas well drilled back in November 1987. The well has never been connected due to challenging topography and high line pressures in the nearby Parknook field. The well intersects both the Showgrounds and Rewan Formations which have shown long-term sustainable production of both gas and rich hydrocarbon liquids in the nearby Parknook and Warroon fields. Rednook-1 was successfully connected to gathering in mid-December with initial gas flow rates of 0.53TJ/day and ~30bbl condensate/Mmscfd through a 16/64 choke.





Temporary overland pipeline connecting Rednook-1 to gathering – Dec 22

In other areas of the work programme, all six of the planned intermitter units have now been installed and commissioned. The units are currently being optimised to maximise the recovery of gas and liquids and to arrest pre-mature production decline. These units routinely cycle the well to overcome liquid loading issues traditionally experienced in retrograde condensate and depleted reservoirs.

Kincora-4 well site intermitter unit install - Nov 22



Federal Government intervention in east coast domestic gas market

The recent intervention in orderly gas markets on the east coast (Energy Price Relief Plan) by the federal government has generated significant uncertainty within the sector. While Armour is little impacted in 2023, certain aspects of the proposed legislation, such as, the longer term mandatory gas market code of conduct and the foreshadowed 'reasonable pricing' provision, are yet to be clarified. That said, Armour has a MSA in place that is exempted from gas caps for any gas sold in the Short-Term trading Market (STTM-BNE). In light of this proposed policy, Armour is pivoting its short-term focus to increase its liquid hydrocarbon production. Liquids prices remain robust, and therefore, Armour will renew its focus on the under-developed and liquids rich Rewan Formation.

Surat Basin - Field Development Planning

Planning has matured with the CY23 Roma Shelf well optimisation and field development initiative. Armour's near-term focus is to substantially increase gas and associated liquids production from its core Surat Basin assets. This initiative, supported by the recently announced partnership with SLB, is comprised of a comprehensive wells and network study to assess and evaluate a range of production uplift opportunities from Armour's existing infrastructure, wells, and production acreage. This includes seismic reprocessing and targeted 3D seismic acquisition coupled with a comprehensive review of existing reservoir models and historic subsurface data. Key deliverables for H1 '23 are to identify and eliminate network bottlenecks; build the integrated asset model for life-of-field analysis and to develop and implement the wells integrity and optimisation plan.

In parallel, the 2023 IWB program focussing on production enhancement will be designed and planned for execution in June/July (subject to contractor availability) as well as completion of 3D seismic reprocessing and interpretation at Myall Creek. The latter of which will enable Armour to more accurately target the Permian sand channels for the next basin drilling campaign, the first well being planned for late 2023.

Otway Basin - Enterprise North 1 – Exploration Drilling Program

Preparations are progressing for the drilling of the Enterprise North 1 well in the Otway Basin following the lifting of the drilling moratorium in Victoria. The joint venture partners (Armour 51% interest and operator and Lakes Blue Energy 49%) have submitted the Enterprise North Exploration Drilling Program - Application for Consent under the Section 40 of the National Parks Act 1975 and Environmental Effects Act Self-Assessment. Similarly, land holder and community engagement is continuing to ensure that activities remain on track for drilling in the second half of CY2023.



Commenting, Christian Lange, Chief Executive Officer at Armour said “While it’s disappointing that the federal government intervened in the east coast gas market without meaningful consultation with industry, this has little near-term impact on Armour, nor our plans to continue to develop our resources across Australia. The logical path to addressing the issue is to promote and facilitate a supply response. Armour has a diversified portfolio of assets and income streams, and while gas makes up >60% of our revenues, liquids (Gas condensate, Oil & LPG) continue to play an increasingly important role in the portfolio. Naturally, we will focus on accelerating the development of our liquids rich opportunities”

This announcement has been authorised and approved by the Board of Armour Energy for lodgement with ASX.

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