Research as a Service

Armour Energy Limited

Re-Initiation Report

Revisiting the gas growth story

Energy

20 April 2023

Armour Energy Limited (AJQ.ASX) is a junior energy producer and explorer with assets across northern, southern and eastern Australia. The company has been listed on the ASX since April 2012 and is set to pursue a growth strategy with particular focus on production optimisation at Kincora to be delivered over the next 24-30 months. Importantly, we should also see a return to high-impact exploration with the drilling of the Enterprise North-1 well in the Otway Basin subject to regulatory approvals. The success case at Enterprise North could add 150+PJ of readily commercialisable gas for the eastern markets. The company is also pursuing an early-production opportunity at its Glyde discovery in the McArthur Basin (NT). Although small, project success can unlock the gas potential of this emerging province. Armour is also undertaking a balance sheet restructure to put the company in a stronger position to work its assets at its own pace and to its own plan. We will be looking for delivery of the first-stage Kincora growth plan by end-2023 (to 10TJd) and ultimately to 20TJd in a supply constrained and rising gas price market.

Scope

This report has been commissioned by Armour Energy to present investors with an analysis of the opportunities emerging for the company over the next 12-18 months. The company needs to deliver on its growth plans which should significantly improve its commercial positioning, but the oil and gas business is, by definition, high risk.

Business model

Armour Energy is a junior oil and gas company holding a production base with material expansion options; and an extensive exploration portfolio across four Australian states and territories, dominantly focussed on the exploration for and development of gas. The portfolio consists of small but expandable production base, some pre-development options and exploration plays, reflecting a mix of moderate risk and early-stage opportunities with transformational potential. The company is looking to leverage its production growth plan at Kincora, restructure its balance sheet and service a more aggressive exploration strategy, without minimal recourse to third-party financing. Dilutionary financing is always a concern for small company's although high working interests do provide options through partnering.

Scenario analysis

We have evaluated the AJQ portfolio against a range of risk factors based on our assessment of the operating environment accounting for commodity prices, location, phase of exploration, timing and scale of work programmes and financing. We exclude considerations based on factors such as comparative analogues and peer group benchmarking as we view AJQ as a somewhat unique offering in the small-microcap part of the sector, noting the operating advantage that its Newstead storage facility can bring to the Surat Basin production optimisation and growth strategy. We also take into consideration the rising sector uncertainties associated with the Federal Government energy policies, however, we suggest these, as outlined to date, are likely to have only a marginal impact on the company's outlook. Note our current assumptions are subject to potentially significant adjustment as definitive operating results come to hand, particularly at Kincora and Enterprise North.

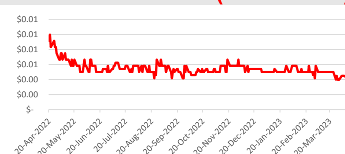
Valuation of $393m ($0.08/sh) post closure of the share offer

Valuing pre-development phase assets is a subjective exercise, particularly considering financing timing and energy policy uncertainties. As with many small energy stocks, AJQ holds assets with transformational potential - the resource opportunity is massive. There are a number of short-medium term rerating events that can close the value gap, particularly at Kincora and Glyde which can demonstrate the intrinsic value of gas assets in a growth scenario. Forecasting gas prices in an operating environment of an increasing supply squeeze with the overhang of potential stronger regulatory intervention remains the area of greatest uncertainty. We value on the forward curve on a net-back assumption applying a discretionary RaaS risk overlay to set a base-case valuation. We assign a NAV of $393mn ($0.08/share) to AJQ against a reference share price of $0.004/share. Delivering the success cases at Kincora and Enterprise North can unlock the value inherent in the 2P reserves and flow through to the remainder of the portfolio. There is a lot to potentially deliver over the next 6-12 months.

Share Details

ASX code	AJQ
Share price (19-Apr)	$0.004
Market capitalisation	$15M
Shares on issue	3,815M
Est. net debt at 30-Jun	$14.4M
Free float	~40%

Share Performance (12 months)



Upside Case

- Above-expectation results from Kincora gas growth programme…more gas, higher price, lower capex
- Successful drilling results at Enterprise North could deliver tangible upside and financing options
- Acceleration and commercial definition of the production opportunity at Glyde…there is a multiplier opportunity available around first northern gas

Downside Case

- Kincora programmes disappoint, downgrading the value proposition of the Surat gas plays
- Extension of gas price cap scenarios to include 'new developments' potentially negatively impacting project rates of return
- Unsuccessful drilling results at Enterprise North would cap the medium-term growth opportunities of scale

Management and Directors

Christian Lange	CEO
Nick Mather	Executive Chairman
Stephen Bizzell	Non-Executive Director
Eytan Uliel	Non-Executive Director
William Ovenden*	Non-Executive Director

**subject to confirmation of appointment to the Board*

Company Contact

Christian Lange +61 7 3303 0620

info@armourenergy.com.au

RaaS Contacts

Andrew Williams +61 417 880 680
andrew.williams@raasgroup.com

Finola Burke* +61 414 354 712
finola.burke@raasgroup.com

***The analyst holds shares**

Armour Energy Ltd is a research client of RaaS Advisory Pty Ltd trading as Research as a Service. This report should be read in conjunction with the disclaimers & Financial Services Guide on pages 34-36.

RaaS
Research as a Service

Table of contents

Business model 1
Valuation of $393m ($0.08/sh) post closure of the share offer 1
Armour Energy Limited – Resetting The Gas Story 3
Investment Case – A Growth Strategy Is Unfolding 3
The Next 12 Months Set The Platform… 4
Risk-Adjusted Valuation Is $393mn 5
SWOT Outlook – Positive Through 2023 And Beyond 6
Armour Energy (AJQ) – A Diverse Tenement Position 7
Kincora Can Be The Cash Driver…There's Growth To Be Delivered 8
The Growth Options Don't Stop At Kincora 13
The McArthur Basin – opportunities abound 13
Glyde is the starting point 14
The southern basins 17
Enterprise North - a high impact play 17
So…what could an Enterprise North success case be worth? 19
What Kincora Growth Can Deliver 22
Appendices – There Is A Continuing Case To Be Made For New Gas Supply 24
The gas supply squeeze continues 24
Are import facilities the wildcard? 26
Board and Management 29
Top 20 shareholding register 32
Financial Summary 32
Financial Services Guide 32
Disclaimers & Disclosures 36

Armour Energy Limited – Resetting The Gas Story

Armour Energy limited (AJQ.AX) has been listed on the ASX since April 2012 and holds a mix of production and early-stage exploration assets with production and earnings upside potential; and transformational gas opportunities in proven and frontier basins. Near-term growth will be driven by the production expansion strategy at the Kincora Gas project, where plans are in place to increase output to 10TJd (from 4TJd) by end-2023, 20TJd by end-2025 and eventually 30TJd, resetting the cash-flow and earnings outlook. This is the primary focus of the company's activity over the next two years. Concomitantly, the company will also be pursuing first gas in its NT portfolio. Exploration activity will be slower to evolve but comprises a mix of low- to high-risk plays. The highlight will be the targeted drilling of the Enterprise North Prospect (Otway Basin) as a relatively low-risk, high-leverage gas opportunity. Enterprise North could be drilling before end-2023 subject to requisite approvals. We like the asset mix, particularly the options and scale embedded in the NT plays, but as with many small-cap energy plays, financing constraints limit the pace with which AJQ can works its assets and debt overhangs the balance sheet.

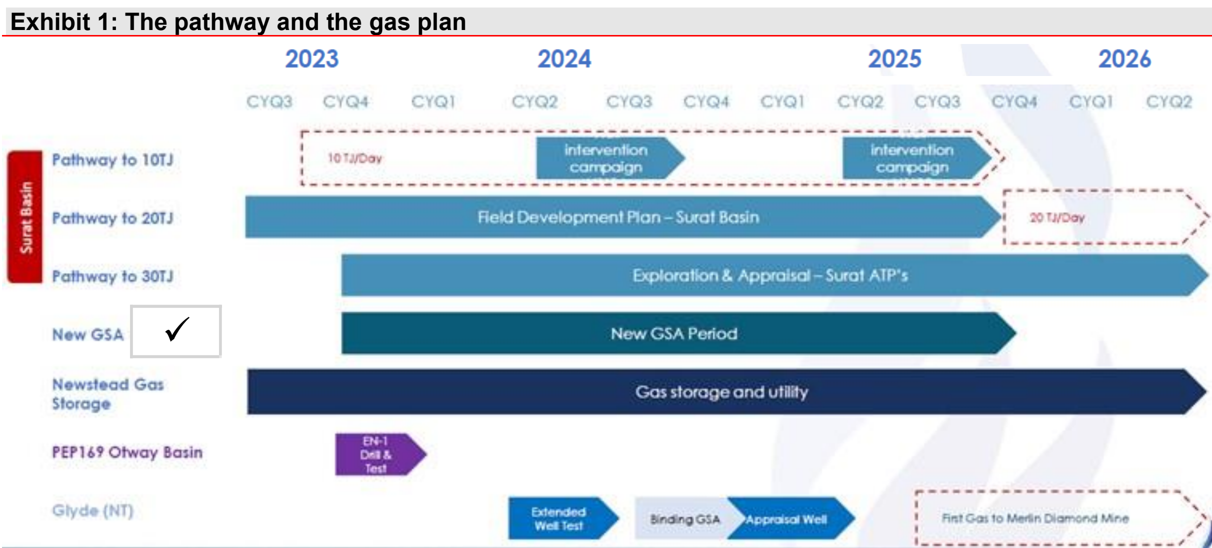
Investment Case – A Growth Strategy Is Unfolding

As with many small companies in the energy sector, progress on the growth strategy for AJQ has been frustratingly slow **given the embedded incremental and transformational potential of the asset base**.
The company has reset and refreshed the strategy aiming to deliver near-term production growth, develop new fields and evaluate its high-grade exploration/high leverage exploration opportunities.

- The company is pursuing an increase in gas production and sales in a staged campaign:
  - Initially restoring gas flow to 6TJd through a well intervention campaign and target output growth to 10TJd by end 2023, this may include the drilling of one well before end-2023;
  - A greater Field Development Plan in collaboration with SLB (formerly Schlumberger) with the purpose of **optimising production** together with infill, exploration and appraisal drilling targeting 20TJd by end-2025; and
  - Exploration through the remainder of the Surat tenement portfolio providing a 'pathway' to 30TJd from 2026.

In combination with a newly secured GSA with Shell Energy to commence from Dec-2023, revenue growth could materially increase – potentially ranging from ~$40-85mn pa subject to delivering production targets.

Exhibit 1: The pathway and the gas plan



Source: Company data

- **A secondary focus** will be to generate additional production and new gas discoveries through the remainder of the portfolio:
  - Evaluate the drill-ready Enterprise North Prospect, located on trend and highly correlated with the Enterprise and Minerva gas fields. An Enterprise North success case could contain ~150PJ+, with drilling to commence in late-2023 subject to regulatory approvals.
  - Progress NT (McArthur Basin) development options associated with existing successes, notably the Glyde-1 well, drilled in mid-2012 and returning 162m of gas pay over an 11.5km closure, with negligible CO_2…effectively 'sales' gas quality.

    A potential Glyde development would be underwritten by a Heads of Agreement (HOA) for gas supply to the Merlin Diamond Project from mid-2025. Note that the development of the Merlin Diamond Project is subject to a successful feasibility study currently under way.

  - Continuing geophysical acquisition and studies across the South Australian Cooper Basin tenements to provide a risked and ranked leads and prospects inventory.

Why can growth be delivered this time around?

Whilst the assets and growth opportunities remain the same, the change in confidence levels is underpinned by the acquisition of a new management and technical team with extensive operational expertise in exploration and subsurface development with a track-record of successful delivery.

New teams bring fresh eyes and approaches to old problems – this will not be a case of doing the same things and expecting different outcomes.

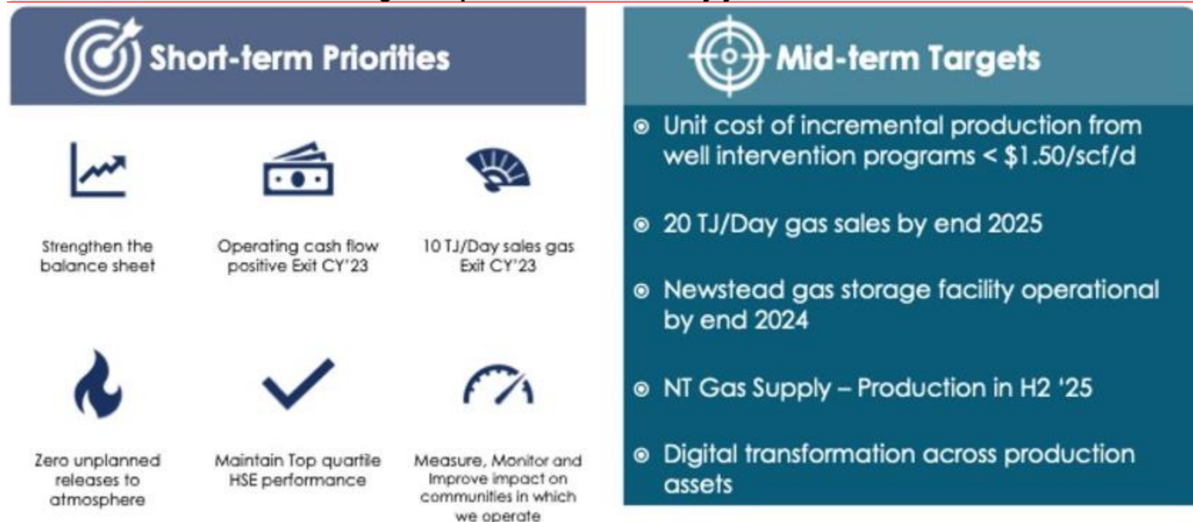
Refer to the Board and Management section of the report for further details.

The Next 12 Months Sets The Platform

The proof of growth will be strongly evident over the next 12 months with significant targets set to be delivered as per **Exhibit 1**.

Parts of the strategy are already well under way with the balance sheet restructure well progressed and planning for Kincora production improvements advanced and set to be implemented through H1 FY24 (H2 CY23).

Exhibit 2: An immediate and long-term plan – we will know by year-end



Source: Company data

Risk-Adjusted Valuation Is $393mn

We ascribe a value for AJQ of $393mn ($0.08/share post offer) noting the closing share price of $0.004/share (19-Apr) represents a substantial discount to our NAV.

We highlight that discounts of this magnitude are not unusual in the small-cap energy space where companies, like AJQ, are asset rich with transformational upside on small or restricted production bases. The key to closing the valuation gap is to progress commercial outcomes by working assets.

Armour's strategy is to focus on the immediate 'low-hanging' production opportunities at Kincora and Glyde to grow the production output into a strengthening commodity price environment – there is growth to be delivered.

We also add that the uncertainties associated with current political energy policies is increasing the perception of risk across the sector. Investors are in buy-the-fact mode and ultimately that is down to delivering more gas and greater cash flow.

Exhibit 3: There is asset value that needs to translate to the bottom line

		WI	Pr	A$mn	A$/sh	
Queensland						
Kincora (base case)	Various	100%	90%	$49		Based on 2P volumes with a RaaS discretionary weighting
Kincora (growth scenario)			50%	$97		
Exploration	Various	100%		$15		
Newstead Gas Storage		100%	50%	$20		Nominal
Northern Australia	Various	100%				**McArthur Basin**
Contingent Resources	EP 171		75%	$29		Glyde Project – gas pricing is the critical unknown
Prospective Resources	Various		3%	$96		Subjective and heavily discounted – but the law of large numbers applies
Southern Australia						
Enterprise North	PEP 169	51%	40%	$90		Subjective on a pre-drill basis. Refer **Exhibit 19** for methodology. Note the discretionary RaaS weighting
Wombat-Trifon	PRL 2	15%	25%	$10		Nominal based on a look-through LKO valuation
Exploration	Various			$5		Nominal
Cooper Basin				$10		Exploration asset and we suggest low on the priority list
Other				$3		~6% shareholding in LKO
				$422	**$0.11**	
Net cash/(debt)				($25)		
Corporate				($5)		
TOTAL				**$393**		
Shares issued (mn)	3,815				$0.10	
Shares issued (mn)	**5,327**				**$0.08**	**From guidance on a post-offer basis**

Source: RaaS analysis; Risked ranges based on discretionary RaaS risk adjustments

Assigning values to Prospective Resources is always somewhat subjective and arbitrary, particularly where the resources as modelled are large (refer **Exhibit 15**). Successive iterations of discounting estimates of large resource potential, in this case the 4.6Tcf of conventional potential ascribed to the McArthur Basin portfolio, can still deliver a material, if nominal intrinsic value.

Our modelled value is dependent on assumed commodity prices. We use the Brent crude and AUD forward curves (refer **Exhibit 20**) to determine an ex-Gladstone net-back price for gas. We overlay a discretionary RaaS risk weighting to account for the remaining uncertainties on timing and operating costs. The risk weighting should unwind as new data comes to hand over 2023-2024, independently of commodity price changes.

RaaS
Research as a Service

SWOT Outlook – Positive Through 2023 And Beyond

SWOT weightings skew to the positive, particularly given the imminent benchmarks at Kincora by end-2023 and return to drilling at Enterprise North.

Exhibit 4: SWOT indicates more upside than downside

Strengths	Comments
Diversified asset portfolio	Holdings are spread across multiple plays and basins, providing short-term incremental growth options on an existing production base and large-scale, transformational, green-fields gas opportunities.
An asset in production (Kincora) with growth options	The project has material uncontracted and undeveloped 2P volumes – there is a growth project to deliver. **The company is targeting 20TJd by end-2025 with potential to increase to increase to 30TJd on a drilling success case.**
High equity interests across the portfolio…	…offering success-case leverage and financing options.
…falling commercial threshold	Incremental gas at Kincora comes at lower costs and requires lower sustaining gas rates. The same may apply at Glyde.
Proximate to infrastructure hubs with storage	The assets are located in infrastructure hubs with ullage providing a clear path to market, complemented by the Newstead Gas Storage facility. In a tight gas market, mid-stream assets (storage and pipelines) will become increasingly valuable.
Gas agreements underpin new opportunities	A new GSA with Shell Energy from 1-Dec-2023 at $12/gj with uplift provisions resets Kincora economics and provides a gas trading opportunity through Newstead. Additionally, the company has secured a HOA to supply gas into the Merlin Diamond Project supporting an early commercialisation of gas within the NT portfolio (Glyde).
Local and government support	Both the Queensland and NT operating environments encourage gas production – whilst at odds with notional Federal Government policies, we see small operators as only impacted at the margin.
Weaknesses	**Comments**
A large exploration portfolio provides a range of opportunities that can require high capex to evaluate	At a high level, the total number of tenements under management is perhaps too large to be exploited in an optimal fashion - the company may only be able to finance on a narrow focus basis at this time. High-grading the portfolio will likely be required.
Financing still largely dependent on equity markets in the short-term	Cash flow is constrained and outgoings exceed revenue on debt servicing. Not unusual for small companies, financing may still be heavily equity dependent and limit the scope and timing of growth activity.
There is still an exploration feel about much of the portfolio	Exploration/early-stage means higher risk and higher capital costs. Drilling can be a capital-intensive exercise in a rising cost environment.
Market continuing to apply a high-risk weighting to gas opportunities	**Markets are in wait-and-see mode.** Markets don't like uncertainty (Federal energy policy), debt-heavy capital structures and are eschewing higher-risk portfolio exposures – success cases may not be fully reflected in share price re-ratings.
High working interests	**What is a strength can also be a weakness.** Carrying costs at high working interests can be expensive through early phases of activity until assets are sufficiently evaluated to be of interest to third-parties or at a pre-development stage.
Opportunities	**Comments**
The macro investment thematic continues to be supportive	ACCC/AEMO projections point to a **material east coast gas supply shortfall from mid-2023** and increasing in the absence of new supply. There is a significant window of opportunity for new gas into the east coast market.
The growth options are the 'six inches' in front of the eyes…	Material new volumes of gas will required but AJQ has options it can work and deliver now affording a strong opportunity to benefit from likely stronger gas prices and operating margins ahead of competing projects. **The time line to first gas is small compared to other projects.**
Relatively easy, inexpensive and leveraged growth at Kincora	Capex is required – workovers, new wells but the risk should be low and the impact high. A successful well can have a material impact on production.
Near-term exploration, particularly Enterprise North-1	A gas prospect immediately adjacent to under-utilised Otway Basin facilities and predicated on 3D seismic. Nearby analogue discoveries provide a degree of confidence – the proof will be in the drilling but success could flow through to other prospects.
Threats	**Comments**
Federal regulatory uncertainty	The imposition of a $12/gj price cap for new contracts in 2023 and a **"…reasonable pricing provision",** highlights the political uncertainty associated with gas policy and potentially the direction of future government regulation. The potential exists for increasing regulatory intervention, not less in the medium-term.
Gas aggregation may creep to the east…	M&A has taken time to manifest and despite the bidding wars in the west, the real gas game is in the east. Reserves metrics are telling us 'gas is cheap' and at some stage, in a constrained market there will be consolidation…but at what price?
Acceleration of renewables	Renewables work best with gas – this is not a company specific issue.
AJQ is not the only company chasing new gas	There are numerous gas options being pursued in other gas basins, most notably in Queensland CSG, the NT Beetaloo Basin and offshore Victorian conventional targets. However, the timeline to market is not certain and success cases may not provide supply at scale.

Source: RaaS analysis

RaaS
Research as a Service

Armour Energy (AJQ) – A Diverse Tenement Position

Armour Energy has a geographically diversified set of assets lying across the risk spectrum, with the potential to provide a mix of short-term and long-term; incremental and transformational opportunities.

The key plank of the near-term growth strategy is the Kincora Gas Field, already in production with sufficient reserves to support a growth strategy target of 20TJd (~7.3PJ pa) by end-2025, with accompanying gas liquids and crude oil. Delivery of the growth target could generate sales revenue of $80-90mn pa on a low decline basis (RaaS estimate), as a quasi-annuity.

The company has recently completed a major review of its Victorian gas assets, upgrading the Enterprise North Prospect offering a high-value exploration target in an under-utilised infrastructure hub with a high probability of success. Drilling could begin in late 2023.

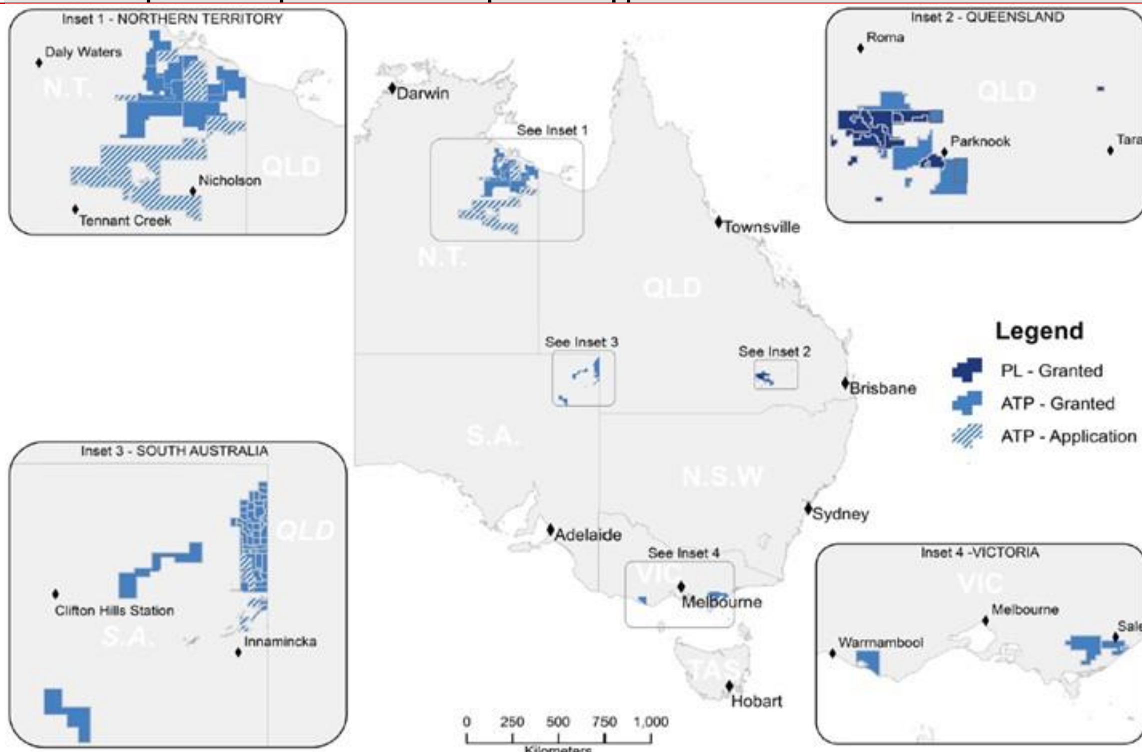
Enterprise North is considered to be an analogue play to the Enterprise and Minerva gas fields with comparative data suggesting a success case has the strong potential to be liquids-rich. Assuming recovery rates and CO_2 rates can be extrapolated from other discoveries, Enterprise North could contain around 150-250PJ (100% basis).

The exploration portfolio contains other transformational opportunities, particularly in the McArthur Basin (NT) acreage, with a gross prospective gas resource, best estimate of ~33Tcf and 530Mb of gas liquids (refer **Exhibit 15**).

We highlight the high-grade potential of EP171 as the most advanced of the projects the company has in this region. Based on the success of the Glyde-1 well, which flowed gas to surface on test at 3.33mcfd, the discovery has been ascribed 3C gross volumes of ~53Bcf (refer **Exhibit 15**). The NT opportunity is underpinned by a gas supply Heads of Agreement (HOA) for supply into the Merlin Diamond Project, with a nominal start-up target of mid-2025, subject to positive results from the Merlin feasibility studies.

The company holds a large set of Cooper Basin permits umbrellaing the northern wet gas and Western Flank oil plays. The portfolio should be considered as early-stage and high-risk – as most exploration plays are – with geophysical acquisition planned over the next 12 months to develop a risked and ranked leads and prospects inventory.

Exhibit 5: A portfolio of production and exploration opportunities - incremental and transformational



Source: Company data

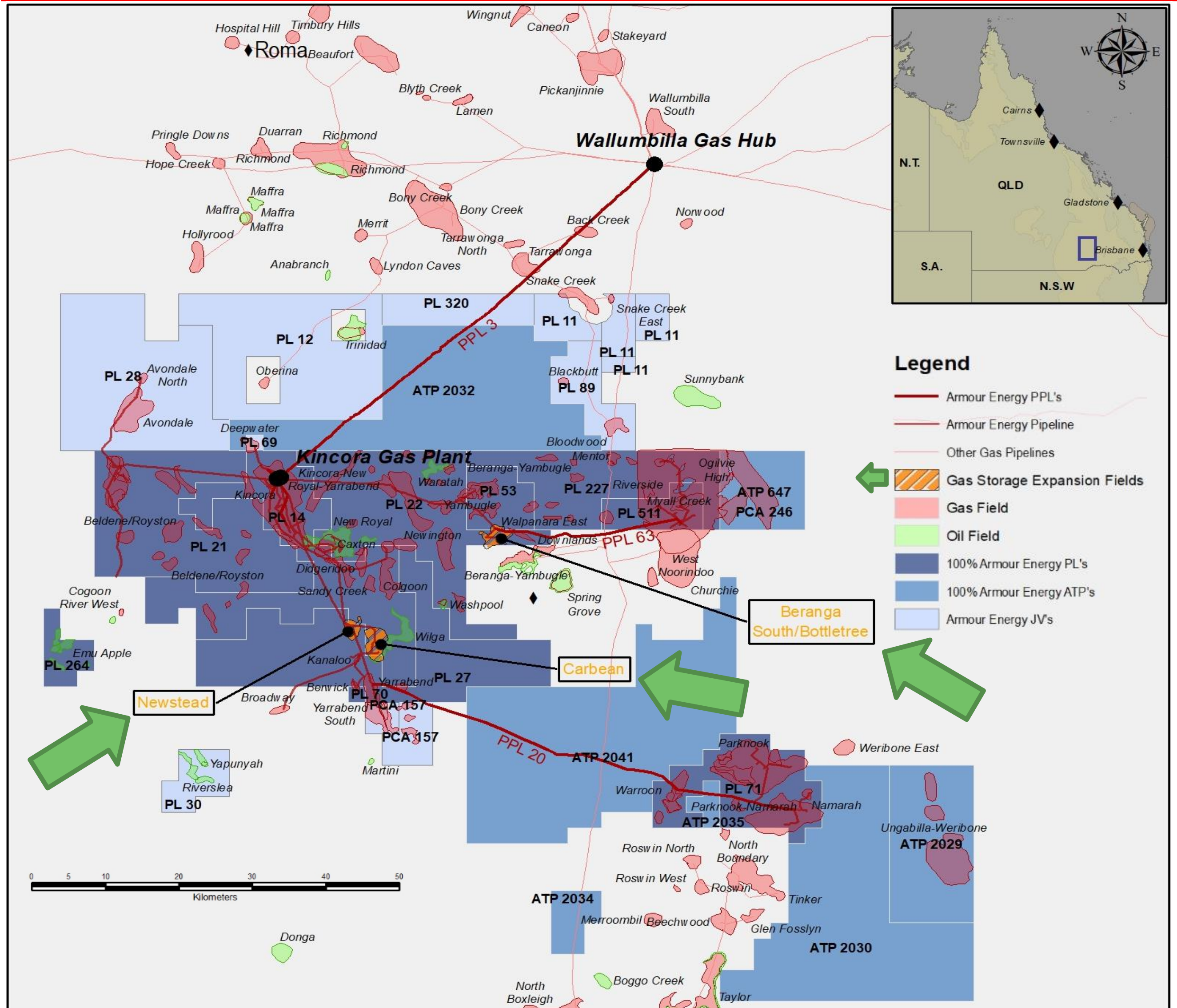
RaaS
Research as a Service

Kincora Can Be The Cash Driver…There's Growth To Be Delivered

The Kincora assets **offer a major point of differentiation** for Armour in the small-cap energy sector. Production and cash flow are always concerns for investors. Quality assets need capital and recourse solely to equity markets is not a sustainable, long-term financing option.

The expansion potential of Kincora can underpin the company as a significant producer of gas and gas liquids. The Newstead storage facility adds an annuity-like development option. Armour is looking to expand these operations beyond the current operating capacity of 7.5PJ and 15TJd. Storage optimises Kincora financial returns and expansion sets up an important additional revenue stream.

Exhibit 6: An extensive footprint with a direct tie to Wallumbilla and new 3D seismic to come



Source: Company data; gas storage operations and expansion opportunities denoted by green arrows

The Kincora production assets were purchased from Origin Energy (ASX:ORG) in Sep-2015 for around $13mn and now consists of:

- 12 production licences (with 90 development wells [40 current producers] in 39 gas and 6 oil fields)
- Six exploration licences;
- Four pipeline licences; and
- Associated infrastructure connecting directly into the Wallumbilla gas hub. The Kincora plant has a nameplate capacity of 30TJd (currently 15TJd on a practical basis) and the Newstead gas storage facility has a capacity of 7.5PJ.

Access to the Roma Brisbane Pipeline through Wallumbilla is via a Connection Agreement with APA Group (ASX:APA), which allows supply to APLNG and access to the broader east coast gas market.

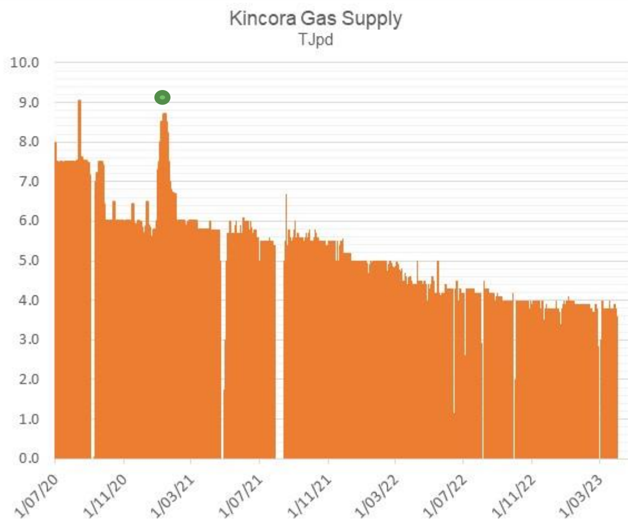
The current gas sales contract with APLNG expires at end-Nov 2023 and will be replaced by a new Master Sales Agreement (MSA) with Shell Energy Australia Pty Ltd, a wholly owned subsidiary of the Shell Group. Importantly, the MSA includes a 13-month GSA at *'…materially improved pricing'* commencing at $12/gj with uplift provisions through 2024.

Importantly, as we believe mid-stream assets are going to become materially more valuable in managing gas supply, Armour and Shell are exploring opportunities for Shell to utilise the 100% Armour owned and operated Newstead Gas Storage facility with a storage capacity licence of 7.9PJ.

This time for sure…

The company has been pursuing a Kincora growth strategy for some time, initially based on a fracture stimulation and completion and pump enhancement campaign over 10 wells *"…targeting by-passed or untapped gas zones previously deemed as too tight or unproductive."* In aggregate, the company had identified some 13 stimulation opportunities across the project, revisiting existing shut-in and producing wells.

Exhibit 7: Kincora currently in a decline phase…there is more gas to be delivered



The past three years of Kincora data clearly demonstrate an underpeforming asset and Kincora is primed for expansion.

Initial results were strongly encouraging particularly from the Basal Rewan Formation identified as an undeveloped, by-passed gas zone. This zone recorded **higher permeability and sustained bottom hole pressure than other producing zones** which ultimately translates to more gas at higher rates on an EUR basis.

The poorer-than-expected campaign results resulted from a frack fluid issue rather than the frack design or geology. A fluid additive was identified as generating residual hydrated polymers in the frack zone, occluding the permeability and restricting flow.

Source: AEMO data; ● peak rate post-2020 well intervention campaign

Initial results were encouraging with gas rates heading towards 9TJd with the initial three wells still in fluid recovery and there was strong cause for optimism.

Subsequent production performance proved to be disappointing and the activity was not providing the benefits as forecast and expected.

Despite the disappointing results from the initial works, the frack campaign ticked a number of operational and geological positives; and armed with a new set of technical data, the platform has been set for notionally better outcomes…the proof will ultimately be in the flow rates.

Exhibit 8: Reserves enough to underpin an expansion and drive growth

Kincora Gas Project		1P	2P	3P	
Gas	Bcf	35	128	286	
	PJ	40	146	325	Sufficient reserves to support a material expansion strategy
LPG	kt	82	301	671	
Condensate	kb	396	1,449	3,232	
Crude Oil	kb	204	1,200	2,619	
	Mboe	11.9	27.3	58.3	

Source: Company data (as at 30/6/22)

The key focus returns to delivering the Kincora growth opportunity inherent in the declared reserves position. The gas has not disappeared **and 2P sales gas reserves stand at ~146PJ**, with an uncontracted reserves position of >100PJ.

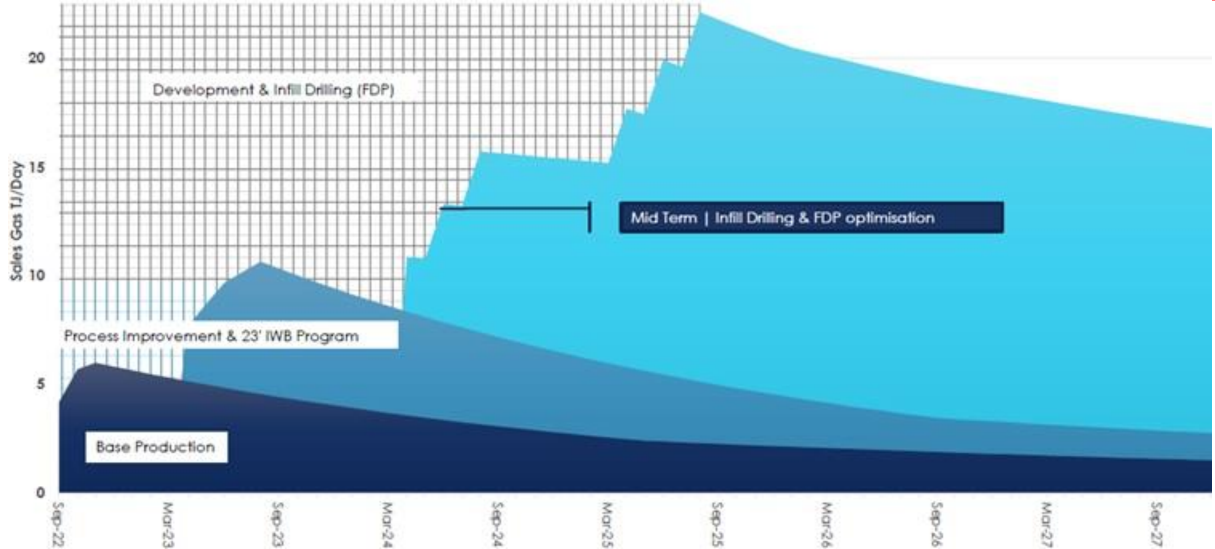
In a positive operating environment that is supply constrained, we see a critical need for AJQ to better leverage its production assets and reserves base whilst pursuing new options. There is inherent upside on delivering more gas through a plant with ullage and operating on a dominantly fixed-=cost basis**…companies that work their assets deliver a strong point of investment differentiation.**

Lifting the hand brake on gas progress

It is time for a reset and in order to drive the near-term strategy of substantially increasing gas and associated liquids production, the company has entered a strategic partnership with SLB (Schlumberger). With SLB, Armour will undertake a comprehensive study (wells and infrastructure) to determine and evaluate a range of incremental production growth opportunities from within the existing infrastructure and acreage footprint.

These works will include the acquisition of targeted 3D seismic, integrating into the existing coverage and a re-evaluation of the current geological models.

Exhibit 9: The pathway and the gas plan



Source: Company data

Research as a Service

Management plans to identify and evaluate a number of key variables pertaining to gas growth options through H1 2023 including the identification, for rectification, of critical network bottlenecks and finalisation of the well integrity and optimisation plan. The optimisation plan will be based on an integrated asset model for life-of-field analysis.

Armour believes there are numerous incremental, low-cost, high-added-value opportunities in the existing well inventory that can be addressed rapidly. We understand analyses undertaken prior to the 2020 campaign had identified at least 13 wells as candidates for re-working and containing by-passed pay, particularly in the Myall Creek/Riverside area (refer **Exhibit 6**).

Earlier stimulation works (2020-2021) on the Warroon-1 and Myall Creek-2 wells were positive. Warroon-1 demonstrated free-flowing gas very early in the frack fluid recovery process and Myall Creek-2 successfully confirmed the Tinowan C zone as a future play of interest.

We refer to **Exhibit 10** as an example of the low-touch portfolio of opportunities available within the portfolio noting that although these may not be the specific well intervention options identified for action post the completion of the SLB study, these are representative of the nature of the works – re-stimulations and work-overs, zones of by-passed pay and gas intervals previously considered too tight.

Exhibit 10: A deep portfolio of gas growth opportunities to be addressed from 2022

Potential Stimulation Candidates

Candidate	Reservoir	Opportunity
Myall Creek 5A	Bandanna - Black Alley	Proof of Concept – Success!
	Tinowon A	Stimulated
Horseshoe 4	Basal Rewan	Proof of Concept – Success!
Horseshoe 2	Basal Rewan	Proof of Concept – Success!
	Intra Wallabella	
Warroon 1	Showgrounds	Acceleration
	Basal Rewan	Proof of Concept – Success!
Riverside 1	Bandanna - Black Alley	New Bypassed Pay
	Tinowon B	Acceleration
	Tinowon C	
Myall Creek East 1	Rewan SS	New Bypassed Pay
	Bandanna - Black Alley	New Bypassed Pay
	Tinowon A	Bypassed Pay
Parknook 4	Showgrounds	Acceleration
	Basal Rewan	New Bypassed Pay
Parknook 2	Basal Rewan	Acceleration
	Bandanna - Black Alley	New Bypassed Pay
Parknook 5	Basal Rewan	Acceleration
Myall Creek 2	Bandanna	New Bypassed Pay
	Black Alley	New Bypassed Pay
	Tinowon C	New Bypassed Pay
Ogilvie Creek 1	Bandanna - Black Alley	New Bypassed Pay
	Tinowon A	Bypassed Pay
Myall Creek 3	Bandanna - Black Alley	New Bypassed Pay
Ungabilla 1	Basal Rewan	New Bypassed Pay
	Tinowon A	Bypassed Pay
Rednook 1	Showgrounds	Completed interval pending tie in
	Bandanna - Black Alley	New Bypassed Pay
Noorindoo 2	Bandanna - Black Alley	New Bypassed Pay
	Tinowon A	Bypassed Pay
Myall Creek North 1	Bandanna - Black Alley	New Bypassed Pay
Parknook 3	Showgrounds	Acceleration
	Basal Rewan	Acceleration

Addressing re-stimulation and by-passed pay options can be monetised rapidly and deliver especially high-margin growth.

The metrics supporting the business case are arguably better with materially higher prevailing contract and spot gas prices.

As noted by management previously - the success case is supported by:

- *Commercial volumes with one-to-two-year payouts;*
- *Gas to sales with immediate effect through the existing gathering network; and*
- *Success de-risks future drilling candidates and contributes to the accelerates reserves maturation.*

Source: Company data

Most of the opportunities and the focus of works will be around the Myall Creek – Riverside area.

The most critical work stream is the Myall Creek 3D seismic reprocessing work being undertaken by SLB. The study should be completed by the end of May. Interpretation, geological modelling and target selection for

prospects within the Myall Creek sand channels will progress through the September quarter with the drilling of at least one new well before end-2023.

Historically, new wells have added materially to production. We note historically that both the Myall Creek-3 and -7 wells, drilled in 2004, added 3.5-4mmcfd each upon being brought on-line.

Newstead Gas Storage provides an annuity opportunity – with expansion

At some point the market will recognise the inherent value of mid-stream assets in the gas industry (plants, pipelines and storage), which are typically the domain of infrastructure companies. It is rare that gas storage assets find their way into the portfolio of dominantly upstream companies. The Cooper Basin JV does have this capacity within its gas hubs, but it is only a small incremental part of the total asset value. Whilst there are other individual storage assets in operation, these tend to be held as core businesses rather than on an integrated basis.

Armour is quite unique in this regard with ownership of the Kincora plant and Newstead storage facilities.

Gas storage is valuable and we suggest will become increasingly so, as a mechanism to smooth supply, optimise field production and arbitrage gas prices. Newstead is ideally located, feeding directly into the Wallumbilla Hub which makes it suitable for redirection into the existing pipeline network, into domestic or export markets (refer **Exhibit 6**).

The facility has been operating as dry gas storage since 1997 with licensed storage capacity of up to 7.9PJ and a daily drawdown rate limited to 15TJd.

As part of the recently announced gas agreement with Shell Energy Australia Pty Ltd (**SEAU**), the companies have agreed to explore initial opportunities, on a non-exclusive basis, for SEAU to utilise the Newstead Gas Storage facility.

Armour has been assessing expansion options through adding additional depleted reservoirs into the network.

In a presentation released in Aug-2020 the company indicated it was evaluating a target upgrade of facilities capacity of up to 22-24PJpa (around 60TJd). That would represent a 4x uplift against current throughput constraints, noting that the capacity of the operations will be constrained by the level of cushion gas that must remain in the fields.

The 2020 plan envisaged seven new wells with connections across the Carbean and Beranga South/Bottletree fields at a capital cost of ~$24mn, which is inexpensive in absolute terms and relatively low risk.

We highlight that these are dated costs and the expansion option is subject to the current Surat Basin technical and operational review. The project is yet to achieve FID and **these parameters, costs and timing can be considered fluid but at least the earlier works provide a technical and capital baseline for assessment.**

We (*RaaS estimate*) suggest EBITDA returns of up to $1.00/gj for injection/production may not be unreasonable, depending on the volume and contract terms, based on equivalent new storage financial estimates in Bass Strait.

However, we do not suggest Newstead as an operation will deliver this outcome and only highlight this as achievable and a benchmark in the southern gas market, formulated in a lower gas price market at that time.

At this stage, Newstead can be an earnings contributor at the margin and the upside will be directly related to the company securing storage agreements of significant volume.

At low levels of throughput, our ascribed value is subjective and on a risked basis, nominal.

Gas storage provides an annuity-style return option within the AJQ portfolio, but also provides the company with a financing alternative, particularly on an upgraded basis.

We suggest the company is not necessarily a natural holder of this asset. In combination with the Kincora plant, this could also provide the company with an infrastructure restructure opportunity at some future point.

RAAS
Research as a Service

The Growth Options Don't Stop At Kincora

Armour holds a significant tenement position across 13 permits in the McArthur and South Nicholson basins in the north-east of the Northern Territory. The McArthur Basin contains both conventional and unconventional exploration play fairways with multi-Tcf gas potential.

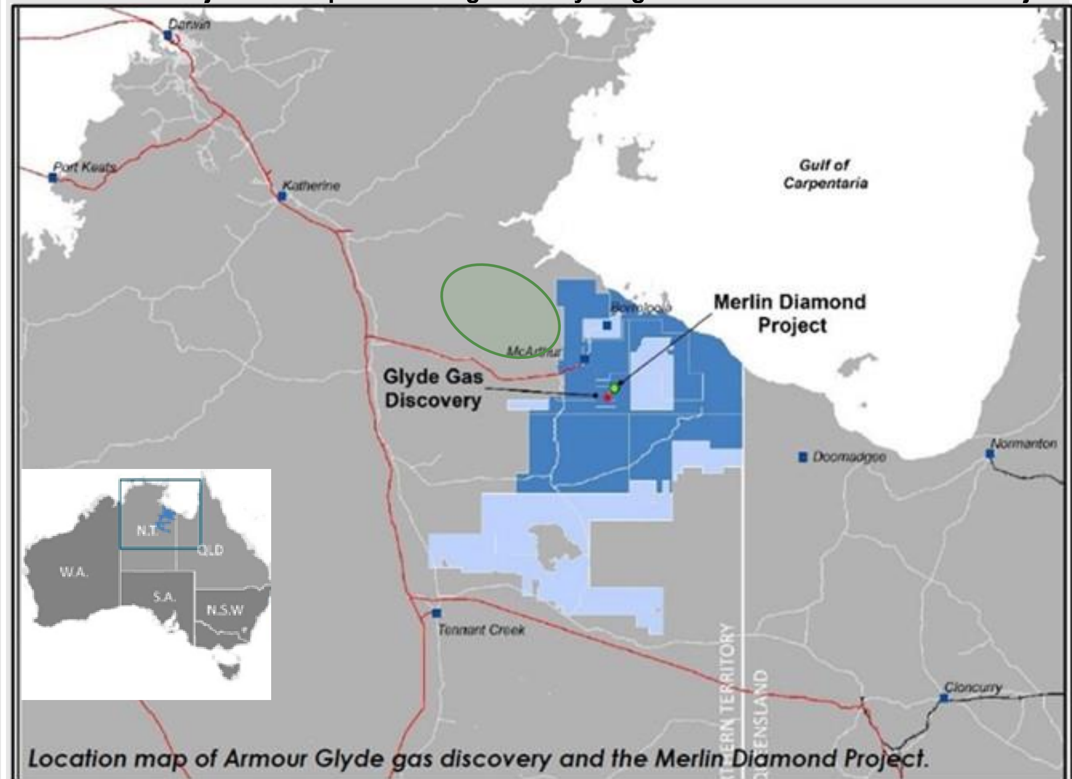
The McArthur Basin – opportunities abound

There is an early-mover McArthur Basin opportunity to be secured relatively rapidly. Armour has recently (Feb-2023) signed a Heads of Agreement (HOA) with Australian Natural Diamonds Ltd (a subsidiary of Lucapa Diamond Company Limited [ASX:LOM]) for gas supply to the Merlin Diamond Project from the Glyde discovery in EP 171.

The agreement targets production starting in mid-2025 for a term of 14 years, supplying the Merlin Diamond Project, subject to project approval. Supply volumes would be for a minimum 7PJ of gross sales gas over the contract term. Glyde lies less than 20 km from the Merlin Diamond Project and gas-powered generation would replace a trucked diesel alternative as *"…(potentially) part of a solar-gas hybrid power solution."*

Recent technical work performed by Armour and SLB (Schlumberger) has validated the producibility of the existing well and plans are under way to reassess the resource potential and development feasibility and a go-ahead at Glyde would commercialise only a small fraction of the asset potential.

Exhibit 11: It's just a step to the right – Glyde gas to the Merlin Diamond Project



Source: Company data
Area of current Beetaloo Basin – Velkerri Shale commercial evaluation (ex-AJQ JVs)

Armour holds a significant tenement position across 13 permits in the McArthur Basin in the north-east of the Northern Territory covering both conventional and unconventional exploration play fairways with multi-TCF gas opportunities.

The company holds its portfolio at a 100% interest, providing financing options through partnering on success, particularly for future works in the unconventional Barney Creek Formation shale gas play immediately adjacent to the Beetaloo Sub-Basin with equivalent source potential to the Velkerri Formation – currently the subject of intensive commercial evaluation by Empire Energy (ASX:EEG) and Tamboran Resources (ASX:TBN).

We suggest success in Beetaloo drilling and testing can provide important and direct look-through data for the Barney Creek opportunities on an operational and commercial basis.

The oil and gas potential of the area was initially recognised from a nine-hole drilling programme conducted by Amoco Minerals in 1979-80 which was targeting silver-lead-zinc mineralisation in the Glyde region; and a two-well drilling programme undertaken by Amoco and Shell in 1981-82.

As reported by the company, *"…(t)en of the eleven wells drilled through these two programmes unequivocally intersected Barney Creek Formation sediments and a gas flow was encountered whilst drilling the Coxco Dolomite in the Glyde River-9 well."*

The exploration risks are similar to most early-stage plays and will remain until the establishment of the initial development models. In this regard we don't consider the basin opportunities as materially different from other Australian basins per se, on a technical basis.

The portfolio covers a significant areal extent of both the conventional and unconventional play fairways and encompasses:

- The conventional Coxco Dolomite (**carbonate**) and Wollogorang/McDermott **sandstones** plays; and
- The unconventional Barney Creek, Wollogorang and McDermott **shale** plays.

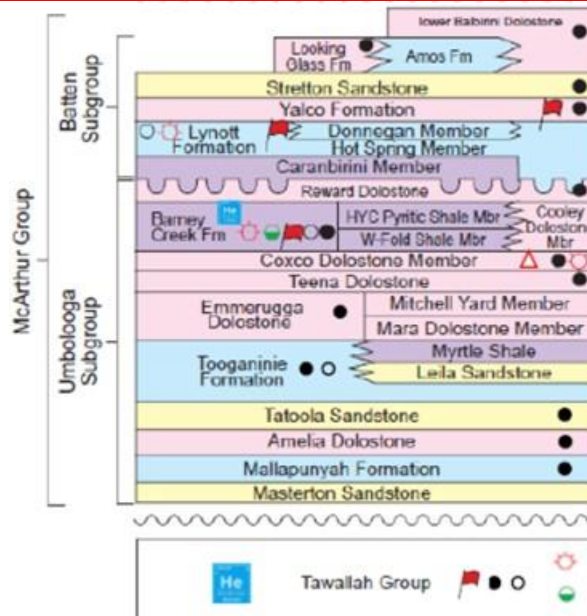
…with the potential as described *"…for targets containing gas, wet gas and liquids in stacked source/reservoir shale intervals*."

Importantly, **the company considers it holds the majority exposure to the proven, conventional Coxco Dolomite, Glyde Sub-basin play fairway**. Based on the keystone discovery at Glyde-1 demonstrating a working hydrocarbon system, this trend could **underpin an early commercialisation opportunity with low-risk expansion potential.**

The unconventional shale targets should be considered as longer-term opportunities.

Whilst there are no commercial developments yet in the McArthur Basin, drilling results continue to build confidence in the petroleum potential of the play.

Exhibit 12: Stacked targets…multiple plays



The **Barney Creek** shale formation is a thick, sulphur-rich black shale unit overlying the Coxco Dolomite which flowed gas on test at the Glyde-1 well. It is present across the AJQ tenements and regional drilling data suggests it can be considered as a good candidate for fracture stimulation.

The **Coxco Dolomite** is a widespread reservoir hosting gas and gas shows at the Glyde and Lamont Pass locations.

The **Wollogorang-McDermott (Tawallah Group)** shale formations are pervasive, with recorded organic carbon contents (TOCs) up to 7% in the oil to wet gas generative window. It has not been a primary target in previous exploration campaigns.

Source: Company data

Glyde is the starting point

Armour has previously reported gas in the Glyde-1 ST1 and Cow Lagoon-1 wells (2012), with significant (live) oil and gas shows in shales in the Lamont Pass-3 well (2013).

RaaS
Research as a Service

These wells have confirmed that the McArthur Group (refer **Exhibit 12**) has the potential to reservoir significant hydrocarbon resources and a working petroleum system. We note that only **Glyde-1 has flowed significant gas to surface** to date.

The **Glyde-1** well targeted a conventional (fault-bounded structural high) prospect and was drilled in mid-2012 to a total depth of 698m. The well was drilled as a test of the gas potential of this area, evidenced by repeated gas shows (flows to surface) from a number of mineral explorations holes from previous drilling campaigns. Glyde-1 intersected 162m of gas pay over an 11.5km closure, with negligible CO_2 - effectively 'sales' gas quality.

Exhibit 13: Glyde-1 ST-1 gas flare – gas to surface is always an important indicator

Source: Company data

A highly deviated side-track was completed (Glyde-1 ST1), encountering gas-bearing zones within the Barney Creek Formation and Coxco Dolostone Member from 648-810m measured depth at a vertical depth of approximately 500m.

Test results recorded a gas flow of 3.33mmcfd at 125 psi, through a one-inch choke on a 10-minUTE test. Although the flow test was very short duration, the extrapolated rate and well head pressure was strong given the shallowness of the well. Importantly, the well recorded 132m of gas-charged, naturally fractured Barney Creek Shale immediately above the Coxco zone.

The brecciated nature of the gas zone provides strong permeability at this location as demonstrated by the testing results.

Gas analysis indicated a product specification of 77% C_1, 11% C_2, 11% C_3 and negligible CO_2. **This is clean gas with a significant LPG fraction**...and associated gas liquids can provide excess returns.

Since the original discovery drilling, little tangible in-ground work has been conducted, so the evaluation remains at a relatively early stage. What is important, though, is that the reservoir zone (Coxco Dolostone) is shallow and expected to range in depth from 300-1,800m across the tenement area. Appraisal and development drilling costs will not be expensive.

We highlight encouraging Contingent Resource estimates provided by Netherland Sewell & Associates (NSAI), based on the geological and flow test data.

Exhibit 14: Net Contingent Resources (MOG 100%) – small but important

	Contingent Resources			Prospective Resources		
Volumes in Bcf	1C	2C	3C	Low (1U)	Best (2U)	High (3U)
Coxco-Cooley	-	6.0	53.0	22	569	7,252

Source: Company data; (NSAI estimates)
Contingent Resources are restricted to the Glyde Proposed Production Licence Area

Whilst the absolute 'C' volumes are small at this stage, critical mass to support localised gas sales does not necessarily need to be a big number, as a conventional development should be relatively inexpensive and high margin:

- Potentially strong flow from shallow accumulations of clean (potentially liquids rich) gas; and
- Preliminary indications suggest fracking will not be required.

The Glyde play requires more drilling to better define the extent of the development volumes, establish a stabilised flow rate and prove its economic viability. However, the framework for a commercial outcome is in place.

Exhibit 15: A benchmark data point sets the base case

	CONTINGENT			PROSPECTIVE								
	CONVENTIONAL			CONVENTIONAL			UNCONVENTIONAL					
	GAS Bcf			GAS Bcf			GAS Bcf			LIQUIDS Mb		
	1C	2C	3C	1U	2U	3U	1U	2U	3U	1U	2U	3U
EP 171		6	53	22	569	7,252	523	2,831	13,221	2	36	271
EP 174							556	3,218	16,240	2	43	356
EP 176				101	2,041	21,667	1,382	7,415	34,265	5	102	755
EP 179							400	1,946	3,106	4	78	427
EP 190				23	492	5,479	1,184	6,447	30,226	6	137	1,047
EP 191				3	277	4,657	156	914	4,130	1	25	191
EP 192				3	271	4,462	45	261	1,145		10	80
EP(A) 173							351	1,860	9,299	2	32	266
EP(A) 193				35	593	5,018	471	2,470	11,300	2	31	221
EP(A) 194				4	381	6,278	135	764	3,371	1	35	185
		6	**53**	**191**	**4,624**	**54,813**	**5,203**	**28,126**	**126,303**	**25**	**529**	**3,799**

Source: ASX data

The southern basins

Armour holds direct interests across multiple exploration permits in the Otway and Gippsland basins including a15% JV interest in PRL 2 which contains the Wombat and Trifon tight gas discoveries; and other multi-TCF conventional and unconventional prospects.

The company also holds a complementary investment in Lakes Oil NL (LKO.AX) of 6.37%.

The moratorium on all exploration activity (particularly drilling) in Victoria has been lifted although fracking and coal seam gas activity remain permanently banned, and it's fair to say, the approvals process continues to be relatively onerous.

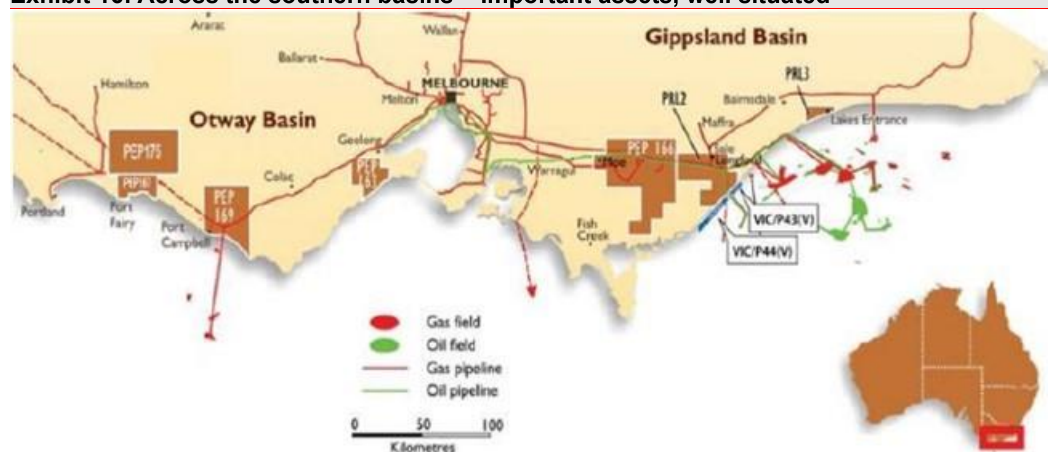
One of the conclusions of the **Victorian Gas Program** was that an *"…onshore conventional gas industry could potentially start production from 2023–24 if industry makes a gas discovery quickly, considers it commercially feasible to develop and secures the necessary regulatory approvals."*

The **Victorian Gas Program** was a three-year (2017-2020) review of scientific research to better understand the potential for new onshore conventional gas discoveries and the risk, benefits and impacts of allowing exploration and production. It (*the Program*) found an onshore conventional gas industry would not compromise Victoria's environment or (our) vital agricultural sector.

Source: https://earthresources.vic.gov.au/projects/victorian-gas-program

We note there are a number of 'drill-ready' opportunities that can be fast-tracked pending financing and approvals.

Exhibit 16: Across the southern basins – important assets, well situated



Source: Company data

Enterprise North – a high-impact play

The success case at Enterprise North has the capacity to materially change the structure and value base of the company. A material gas discovery could be monetised relatively rapidly through a low capital cost development option or asset transaction, we suggest.

As a result of technical works completed by the company as operator of the PEP 169 JV (AJQ 51%) in the onshore Otway Basin, the Enterprise North Prospect has been upgraded based on 3D seismic and ties back to analogue gas discoveries.

The look-through analyses points to a material gas opportunity of perhaps around 150PJ with an assigned probability-of-success rating estimated at 72%. Historical success rates on exploration drilling in the region based on 3D seismic are >90%.

Despite the intrinsic nature of exploration (it is risky by definition), confidence levels should be relatively high given the success at the Beach Energy well (Enterprise-1) only 3km distant, **but as with all exploration, the proof will be in the drilling result** and no wells are discoveries before their drilled.

The success case could be transformational as the most valuable asset in the sector today is uncontracted gas with low capital and operating costs.

Enterprise North ticks the boxes and is set for drilling around end-2023 (**refer Exhibit 1**).

Exhibit 17: The best place to look for gas is where it has already been found

Source: Company data (ASX:LKO)

Enterprise North is mapped as being on trend and highly correlated with the Enterprise and the Minerva gas fields.

Approvals applications are in train across the requisite environmental and regulatory considerations, native title consent and landholder access arrangements. Work is also progressing on sourcing long-lead items, contracting of the drilling rig and securing ancillary services.

Exhibit 18 provides a directly correlatable (as interpreted) seismic amplitude features across the three data points (M-E-EN), which provides a relatively high degree of technical, if not commercial, confidence on a pre-drill basis, given the commercial success rate of prospects drilled on 3D seismic, displaying AVO anomalies, is high (and reported as 100% in Beach Energy-operated acreage).

The comparative data across Enterprise-Minerva-Enterprise North suggests that a success case has the strong potential to be liquids-rich and with recoverable reserves equivalent to Enterprise. Assuming recovery rates and CO_2 rates can be extrapolated from other discoveries, Enterprise North could contain around 150-250PJ.

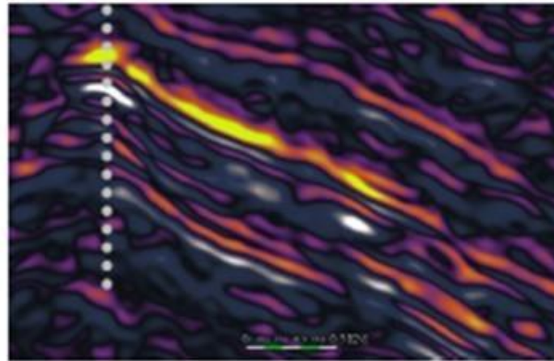
The Waarre Sandstone as the primary target indicates reservoir risk as low – if there is sufficient gas, it will flow. The Waarre, on a regional basis, has a high porosity-permeability relationship of 19-25% and 1-10darcies, which translates to high storage capacity and strong production capability at pressure. Production rates in a success case are more likely to be infrastructure limited than reservoir constrained. Pre-drill modelling suggests flow rates greater than 50mmcfd could be possible.

However, **interpretation and extrapolation is not without risk and geology does not always co-operate so estimates should be considered speculative** and we caution that a success case at Enterprise North may not achieve these rates – porosity, permeability and total gas may be at the low end of the ranges.

Exhibit 18: 'Bright spots' provide the confidence and what works for one generally works for others

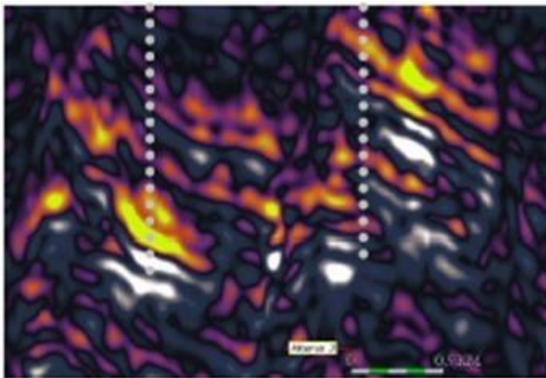
ENTERPRISE NORTH 1 - Proposed

Minerva lies ~10km south

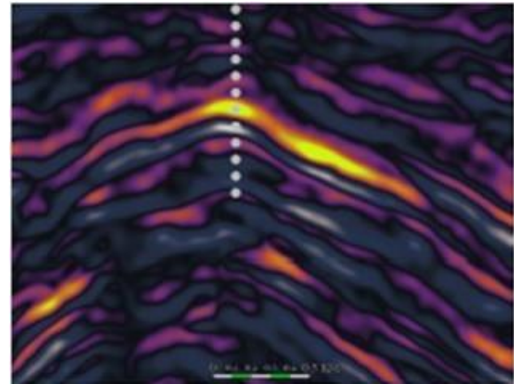


Enterprise lies ~3km south

MINERVA 1, 2, 3 & 4 Discovery



ENTERPRISE 1 Discovery



Source: Company data

So…what could an Enterprise North success case be worth?

We note two ways to consider the value potential – as a producing asset or an asset sale basis.

Given the number of assumptions required to evaluate Enterprise North on a producing basis, the cleanest method to assign a reference value is through a transaction metric…bankable, undeveloped, low-cost gas in proximity to infrastructure networks.

On many levels it seems likely that a gas discovery at Enterprise North would be more readily monetised through an asset sale. The success case could have significant attraction to both Beach Energy (ASX:BPT) and Cooper Energy (ASX:COE) as low-risk expansion or extension gas readily connectable into either the Otway or Athena gas plants. Both companies could make low capex cases with high operating margins.

For either company the success case would need to deliver scale, but BPT has already shown at Enterprise that volumes around 150PJ get attention. COE would likely have a lower reserves threshold and perhaps see stronger optionality in the gas on a shorter timeframe given the issues related to its OP3D campaign.

The reference transaction pool is not deep and the most relevant deal we suggest is the Beach Energy sale of 40% of its Otway interests to OG Energy in 2018. Although BPT was selling proven, developed reserves with expansion potential it has required significant capital investment in drilling and infrastructure (plant) expansion and may continue to. The reference transaction price likely reflected the cum-expansion nature of the asset.

At the time of the deal, markets were modelling long-term contract gas prices in the order of $8/gj, with the transaction metric of ~$2/gj representing a unit NPV ratio of 25% of the long-run commodity price.

Ostensibly, this seems like unders for proven producing reserves but given the future capital commitments and timing to full gas expansion that probably represented a full price at the time.

RAAS
Research as a Service

Exhibit 19: A benchmark data point sets the base case

Transaction	Date	A$mn	Metric	Comments
Beach Energy sale of Otway interest to OG Energy	5/10/2018	$344.0	$11.50/boe **$2.01/gje**	In production with infrastructure. Based on c.$8/gj long-run gas price assumption. Deal was NPV based with upside from near-field appraisal and development. Considered fully priced at the time.

Source: ASX data

We can make a case for a similar NPV ratio for an Enterprise North success case, adjusting for undeveloped reserves, with low-risk expansion upside and low capex to first gas – a base-case reference NPV ratio of 25-30% is reasonable.

Our expectations of long-run gas prices have materially increased in the past four years. Assuming a long-run price of $12/gj on a base case would account for the pre-development nature of any discovery, we suggest.

We calculate a value on a simple equation:

Value = gas price * NPV ratio * modelled reserves * net interest *risk weighting

We estimate the success-case value to AJQ as ~$56-169mn on a risked, gross reserves spread of 50-150PJ, noting that perhaps initial reserves may be limited on the basis of a one-well result.

We do highlight that BPT booked gross reserves at Enterprise of 161PJ (plus liquids) on the basis of one well and testing; and the JV has pre-drill expectations that the success case has a relatively high probability of being somewhat of an Enterprise 'twin'.

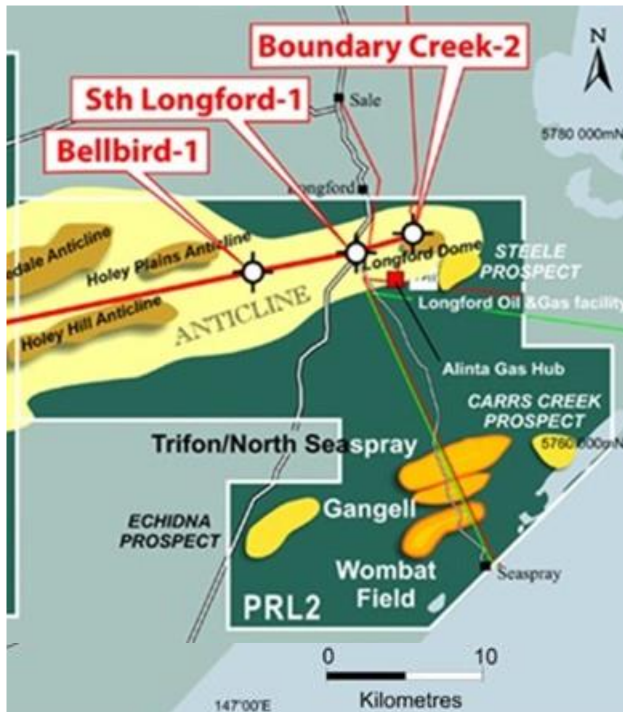
It is a prospect in need of drilling.

RaaS
Research as a Service

There are more options in the southern assets

We highlight additional options in the portfolio although the timing of the next phase is uncertain and perhaps subject to success at Enterprise North.

Wombat, PRL 2 (AJQ 15%)



Source: Company data

PRL 2 contains a defined gas resource (2C) based on drilling success and measured gas flows. The resource sizes on the Wombat and Trifon fields represent significant gas opportunities – as stand-alone projects and in aggregate, ascribing gross gas of 719Bcf at 2C.

The Wombat Gas Field has been defined by four wells, flowing 3TJd from Wombat-3 well with the considered potential to flow at 10TJd. The variable reservoir distribution points to a relatively high degree of complexity and complexity does translate to cost.

- It may be difficult to define the real extent of higher permeability zones (sweet spots).
- Well productivity will likely need to be enhanced – in this case by opening the reservoir through horizontal drilling to access a greater surface area (fracking is banned).
- Reservoir performance and production rates can be more problematic, particularly with no analogue fields.

RaaS Commentary

The play has large, open-ended potential. A success case holds enormous flow-through and follow-up opportunities.

Previous strategies proposed the drilling of a Wombat-5 as a long horizontal well test case of the development options – production without stimulation.

The timing of next works remains uncertain.

Otway-1, PEP 169 (AJQ 51%)

Source: Company data

- Conventional prospect ready to be drilled in close proximity to the Iona Gas Field and 400m from existing facilities.
- The prospect would target both the Waarre Sandstone and Eumeralla Formation at a prognosed total depth of 1,500m.
- The Waarre Sandstone is the primary gas exploration target, hosting adjacent discoveries in the immediate region.
- The Eumeralla Formation is known to contain gas which has flowed on test (**7.5TJd from the Skull Creek-1 well adjacent to Otway-1)**, but it is considered a secondary target.

RaaS Commentary

- F&D capex would be low - maximising margins.
- Lead times would likely be short and on a success-case could perhaps be producing within six months.
- An economic discovery size could be as low as 5PJ but more likely around 10PJ – project life would likely be short (three-four years).
- Small gas volumes could translate to gas sales on an interruptible basis, which are generally set at a discount to the prevailing market.

We note a P_{50} Prospective Resource of 60Bcf (gross) is ascribed to the prospect and a discovery of this size would be the largest in this region.

The prospect has a Probability of Success rating of 25%.

RaaS
Research as a Service

What Kincora Growth Can Deliver

The initial and critical focus of the company is to optimise Kincora as a gas project given the size of the underpinning reserves (refer **Exhibit 8**), whilst **Exhibit 9** shows the company's target production profile which we use for a scenario comparison.

As evidenced in **Exhibit 20**, FY24 and beyond can generate a material change in production and earnings based on the optimisation strategy, in combination with realised revenue better reflecting gas market pricing post the commencement of the Shell GSA from 1-Dec-2023.

Exhibit 20: There are obvious financial benefits from higher Kincora production

	RaaS production base-case and financial assumptions				RaaS financials ...per AJQ gas production plans		
	FY23e	FY24e	FY25e		FY24e	FY25e	
Gas (TJd)	**4.2**	**5.0**	**6.0**		9.6	14.4	Refer Exhibit 9 for AJQ production growth targets.
Gas price ($/gj)	6.95	15.88	15.02				From 1-Dec-2023, AJQ references 'market' based pricing with the commencement of the Shell GSA. Refer Exhibit 21 for RaaS commodity price assumptions.
Revenue	**15.2**	**34.2**	**38.5**		65.1	67.4	AJQ targets provide 'double impact' from higher reference gas prices compounding significant gas and gas liquids growth.
Production costs	(16.9)	(19.5)	(20.6)		(23.4)	(25.3)	Dominantly fixed cost base translates to stronger EBITDAX.
EBITDAX	**(1.7)**	**14.6**	**17.9**		41.7	42.1	
EBIT	(9.8)	3.9	6.6		25.5	23.1	
NPAT	**(12.6)**	**1.1**	**3.3**		16.2	14.8	

Source: RaaS and company data

Producing more gas translates to producing more gas liquids directly benchmarking crude oil prices at an increasing operating margin.

The Kincora Plant (most gas processing plants) is dominantly a fixed-cost operation, with incremental expansion materially impacting (increasing) net cash flow on both an absolute and unit basis.

Assuming the AJQ targeted scenario is achieved, the P&L will deliver a material change to the finances of the company. However, we suggest the estimates we model represent indicative (directional) upside opportunity rather than definitive numbers, demonstrating only the quantum of opportunity available within an already producing asset should optimisation and growth targets be delivered. **It comes down to execution**.

We highlight that our assumptions include the changes to the debt (Convertible Note) structure with lower interest and amortisation charges as modelled flowing through to the NPAT line.

The scenario forecasts are based on Kincora growth only noting the potential for Glyde production to impact from mid-2025. Glyde is subject to project sanction of the Merlin Diamond Project.

We model on the forward curve

The weakness of most sell-side commodity price decks is they only project forward for about two years before reverting to long-run assumptions. This is somewhat understandable given the expanding risk envelope on numbers much beyond three-six months

The forward curve, whilst volatile, at least provides a better reflection of market sentiment over a longer period and commodity price sentiment has a strong impact on the price of stocks.

Exhibit 21: Forwards curves better reflect the market outlook

		FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34
WTI	US$/b	78.68	72.51	67.92	64.19	61.12	58.55	56.19	54.16	52.48	51.02	50
Brent	US$/b	80.58	75.29	71.63	68.73	66.30	64.65	65.90	69.54	73.18	75.00	75
AUD		0.677	0.677	0.674	0.670	0.688	0.719	0.75				

Source: investing.com; RaaS assumptions

RAAS
Research as a Service

Financing - addressing the balance sheet and raising capital

Concomitantly with chasing operational growth, the company is actively addressing mechanisms to strengthen the balance sheet and provide a more stable platform to finance its growth options and work the asset base.

As announced on 23-March, the company is seeking to raise $32mn (before costs) via:

Institutional Placement	663.4mn shares	$0.004/sh	$2.7mn
Entitlement Offer	1:1 accelerated, non-renounceable, pro-rata terms	$0.004/sh	$9.3mn

Both the Placement and Entitlement Offers were fully underwritten by Wilsons Corporate Finance Limited

Armour Notes (new)		$1.00/note	$20mn

The issue of new notes is subject to the approvals of shareholders and existing Secured Amortising Bond holders at an EGM to be held on a date to be confirmed

The new issue is underwritten by Bizzell Capital Partners Pty Ltd

The critical aspect of the recapitalisation is to *"…reduc(e) and restructur(e) existing debt"* which will funnel more funds to be directed into growth initiatives via the integrated production optimisation campaign and progress the submissions and applications for the drilling of the Enterprise North as outlined previously in this note.

The current convertible note structure has been a capital sink for the company, significantly constraining its capacity to pursue the upside inherent in its Surat (Kincora) and NT (McArthur) portfolios.

Use of Funds		
Existing Debt Repayment	$24.6mn	Repayment of Secured Amortising Bonds and MOG Notes
Surat Basin (Kincora) production optimisation campaign	$4.4mn	
Corporate and technical operating costs	$3.0mn	
	$32.0mn	

Post the restructure the company will still hold ~$32mn in debt in the form of the $13mn in Secured Notes held as a pro-forma Current Liability and ~$19mn of new Notes (**Armour Notes**) having a term of three years and payable on 31-Mar-2026.

The terms and conditions of the (new) Armour Notes are more favourable than the MOG and (partial) FIIG notes they are replacing:

Armour Notes		FIIG Bonds	
Face Value	$1.00	Face Value	$1,000
Total Facility	$20mn	Remaining Facility	~$12.6mn (pro-forma)
Tenure	Three (3) years	Tenure	Five (5) years from issue
Redemption Date	31/3/26	Maturity date	29/3/24
Coupon	10% pa Payable every six months in arrears in cash or shares at the company's election at a 10% discount to the 30 day VWAP		8.75% pa Payable quarterly in arrears
Conversion	At the Note holder's election into FPOS with a floor price of $0.006/sh.	Amortisation	52% from 29/3/21 until (including) the day immediately prior to the Maturity Date
		Security	Secured over all assets of the company

FIIG notes are imposing an interest and amortisation cost of ~$3mn per quarter (principal and interest), which assuming the historical amortisation schedule is unchanged, will continue through to 29-Mar-2024.

We understand there are proposals under evaluation that could see the FIIG Bonds potentially being paid out earlier or perhaps partially converted to alternate instruments. Our financial assumptions are based on the historical amortisation schedule and guidance.

Appendix – There Is A Continuing Case To Be Made For New Gas Supply

We feel somewhat like a broken record here.

The investing market can see the thematic – a supply-constrained environment with upside risk to gas prices and at a time where energy policy clarity is required, regulatory uncertainty overhangs the operating outlook. The macro-environment is still largely favourable and in the transition to a lower-carbon world, the prevailing weight of opinion overwhelmingly supports a continuing role for gas as a required energy source.

If anything, after the imposition of a $12/gj price cap for new contracts over 2023 and Code of Conduct guidelines, the feeling in industry is still that the level of uncertainty is climbing rather than diminishing.

Most recently, the federal Labor and Greens parties agreed to pass new Safeguard Mechanism legislation which adds to the perceptions and actuality of legislative uncertainty, particularly the determination of how international best practice applies to domestic gas projects.

The 'best practice' requirement for domgas is to be determined over the coming months in consultation with industry and other stakeholders. This is or can be an 'open-ended commitment' but surely wouldn't be worse than the requirements already applying to supply into LNG.

With industry wading through the practical implications of the Mechanism, **the risks for smaller operators appear worse than it is likely to be in practice** we suggest. The projects most at risk appear to be large-scale opportunities with comparatively high CO_2 contents.

However, whilst gas opportunities of scale are navigating a changing regulatory environment, small companies are proverbially 'rolling up the sleeves' and working their assets. We see the outlook for smaller companies as remaining positive.

Although the growth and development opportunities can be considered incremental on a holistic basis to east coast gas supply, the opportunities are meaningful and in some ways transformational.

Over the course of the next 18 months or so, we can see a number of companies making the transition from explorer to producer and/or building on existing supply platforms.

The most critical constraint in the small-cap space is access to capital.

From an investor's perspective, the regulatory uncertainty puts the sector in somewhat of a 'buy-the-fact' zone, but therein lies the opportunity.

We draw on recent ACCC analyses and AEMO gas utilisation data and cite from the following ACCC publications where highlighted:

ACCC Gas inquiry 2017-2025 Interim Report (July 2022) – published 1-Aug
ACCC Gas inquiry 2017-2025 Jan 2023 Final Report – published 27-Jan-2023

The gas supply squeeze continues

The ACCC in its analysis has forecast:

- A "…**30PJ gas shortfall** across the east coast market in 2023";
- "…**significant uncertainty about the supply outlook for 2023** – lower-than-expected supply or higher-than-expected demand, such as for gas-powered generation, could heighten the risks";
- "…**there are limited options for averting a shortfall in the domestic market in 2023**"; and
- "…**LNG producers are expected to have sufficient uncontracted gas to meet uncontracted domestic demand**, they are yet to commit sufficient volume under firm contracts to address the risk."

We have previously commented that in the supply-demand model, the only input with some certainty is supply volumes but that estimate becomes 'vaguer' the longer-dated the prediction becomes. Whilst the 2023 supply estimate is likely a high-probability number, if there is a projected shortfall now, that only becomes magnified in future years on natural decline and historical delays on forecast new project start-ups.

RAAS
Research as a Service

We note recent commentary from Exxon-Mobil directly indicating that:

- "...the company's wells in the Bass Strait (Gippsland) have **shrunk in number from 122 in 2010 to 68 today**, and would continue to rapidly decline";
- "...by next winter, it expects to have 36 wells producing to six gas platforms supplying two onshore gas plants; **a 70% reduction in the number of producing wells since 2010**";
- ...the Gippsland Basin production plant "will **no longer have the capacity to step in to provide whole-of-market solutions** when additional gas is required to support the electricity market."

The market will be fully supplied – by definition, the market is always fully supplied, with the balancing mechanism being the Short-Term Trading Markets (STTM) and prices set sufficiently high enough to attract gas back into domestic supply.

The higher prices evidenced in both spot and contract outcomes is the direct result of a lack of new supply alternatives, where the ACCC concluded there were a number of structural factors that needed to be addressed, specifically identifying:

- The need for **"...(g)reater diversity and more timely supply"**;
- "...enforcing compliance with work programmes"; and
- "...introducing a **third-party access regime for upstream infrastructure."**

Notwithstanding project-specific risks, we interpret the macro issues as positive for gas supply holistically and ultimately, as a call for **more gas, from more areas, more rapidly**.

Naturally, this can only come at a cost – **"...further investment will be required to avoid shortfalls in the longer term**."

- **"...long-term supply and demand outlook across the east coast gas market is uncertain**." Gas demand is expected to decline over time (a shift to greater electrification and transitions towards net-zero targets), however, there will be **"...ongoing need for gas from some commercial and industrial users in particular."**

- "...there are **likely to be shortfalls across the east coast gas market from 2027** arising from domestic and export demand **without steps being taken**."

Any commentary on the state of future gas markets should be made with due consideration of the firm and potential new supply coming to market in the period to 2025, tempered by statements associated with recent company outlook presentations made through the last financial reporting period and notwithstanding any further legislative issues:

- Beach Energy (ASX:BPT) has 'completed gas' waiting to be connected into its under-utilised Otway Gas Processing Plant from a next phase of Thylacine-Geographe development, although we suggest that should already be figuring into the ACCC analyses.
- Cooper Energy (ASX:COE) had plans to deliver gas from its Offshore Otway Basin, OP3D project by mid-2025, however, outlook commentary directly suggested that the mid-2025 target was 'gone' with the timing of the drilling campaign uncertain on issues related to the Federal Government's gas policy, notably the 'reasonable pricing' provision company. Should the OP3D project successfully deliver FID, we suggest COE's wells will likely shift to later in the campaign and first gas could be deferred by at least 12 months.

Similarly:

- Comet Ridge (ASX:COI) is looking to take FID on two projects across 2023 at Mahalo (Main Block) in joint venture with Santos (ASX:STO) and Mahalo North. In combination, both of these projects could ultimately deliver 100+TJd, with first gas at a small scale by early 2024. The company expects to be making a submission to the requisite federal departments from July as the first practical test of the process under the Safeguard Mechanism.
- Santos Limited (ASX:STO) at Narrabri. Anecdotally, we understand there is likely significant resistance to any development at a land-owner level and with uncertainties related to the Safeguard

Mechanism (and Code of Conduct – reasonable pricing provisions) the timing and approvals process should be considered fluid. In some ways, as a potentially relative high CO_2 gas, Narrabri looks as far away from commercial certainty as it has ever been.

- Galilee Energy (ASX:GLL) hoped to declare initial reserves at its Glenaras Project in H1 2023 but continuing issues related to well performance make this timing unlikely and delivering initial production by 2025 highly uncertain.
- Blue Energy (ASX:BLU) is currently appraising its northern Bowen Basin CSG play with the potential to declare maiden reserves perhaps by mid-2023. Production requires sufficient scale to justify new pipeline connections into the Queensland network.
- Empire Energy Group Ltd (ASX:EEG) is targeting a first gas project FID in the NT Beetaloo Basin, by end-2023, with works over the remainder of this year including continuing production testing, an initial reserves declaration, gas sales discussions and FEED studies. First gas on a small scale would be deliverable in 2025.
- Tamboran Resources Ltd (ASX:TBN) is 'twinning' the time line of EEG and also seeking a first Beetaloo Basin project sanction by end-2023 with first gas in H2 2025.
- Arrow Energy (unlisted) has sanctioned the first phase of its Surat Gas Project. With drilling having commenced in 2020, the project includes over 600 wells aiming to produce ~300TJd over 27 years, primarily for export. The project is underpinned by a gas sales agreement with the QCLNG Joint Venture.
- Senex Energy (unlisted) announced plans for a A$1bn expansion in its Surat Basin gas operations (Aug-2022), looking to increase production to 60PJpa by end 2025. Management has indicated the increase in supply would *"…mostly be directed to the domestic market."* As at its last published financial update (Feb 2022), SXY was already producing ~27PJpa.

  We highlight that as a consequence of the Federal Government's decision to apply gas price and supply controls, **the company announced a pause to its gas expansion project (22-Dec).**

- ExxonMobil and Woodside (ASX:WDS) announced plans in Mar-2022, to increase gas deliverability from the Bass Strait (Gippsland Basin) project at a gross cost of A$400mn, though the expansion of the Turrum Field and development of the Kipper Gas Project. The two new projects are planned to deliver up to an additional 200PJ through 2028, of which 30PJ would be produced in 2023.

  AEMO data to date points to a significant decrease in gas supply year-on-year with the winter peak to come. We suggest 2023 production numbers should already be factored into the ACCC forecasts which may not account for accelerating well abandonment and potential push back to new projects.

However, all the projects as listed require material capital and sustaining capital investments including new pipeline inter-connections. Additionally, these projects may not provide the scale of production growth or reserves potential to create a fundamental shift in supply particularly after accounting for the decline curves in major production hubs and under-utilisation of export facilities.

Are import facilities the wildcard?

Assuming the approvals process is navigated in a timely manner, perhaps an import facility could be operational sometime in 2025, but the issue will be securing third-party supply in a global gas market benchmarked against international crude oil prices.

Although the forward crude oil curves are pointing to the expectation of weaker prices across the forecast term, there is significant volatility in short-term pricing and on long-run assumptions (US$75/b, 0.75c [A$100/b]) the starting reference price will likely be A$16-17/gj ex-transport and regas costs.

Importantly, once operating, an import terminal(s) would set an import parity pricing (+) benchmark for gas supply at the margin into gas hubs.

Interestingly and anecdotally, the possibility of extending the term of a gas-price cap (RaaS scenario only) and 'reasonable price' provisions under which the government of the day would set individual contract prices, could (would?) make the economics of LNG import options somewhat problematic depending on the differential of the supply-demand prices.

RAAS
Research as a Service

Gas prices…the $12/gj question

Forecasting future gas prices is the unicorn, particularly given the political issues associated with energy prices through the transition period to renewables. There is the spectre on potentially persisting gas price caps and increasingly shrill noises being made by commercial and industrial gas users (C&I) on economics, job losses and capacity closures.

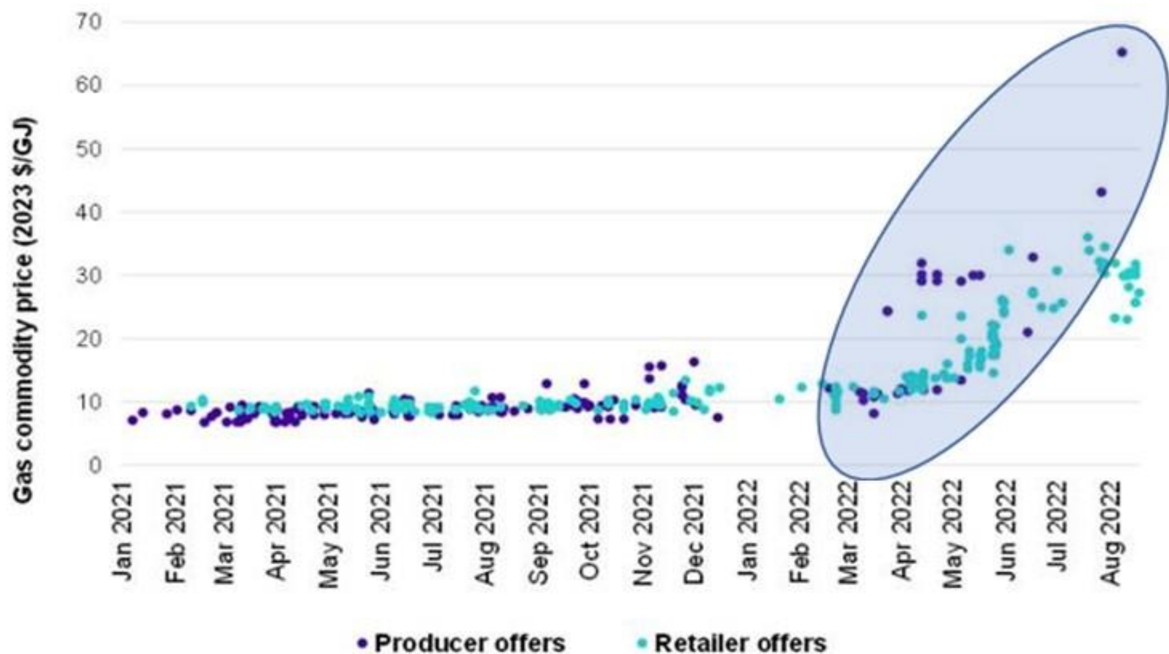
As a long-term, arms-length observer I can point to history and suggest that upstream industry commentary has been highlighting/warning on rising gas prices for at least the past 15 years, with increasing volume.

APPEA has previously (1-Dec-2022) released a commissioned study into the impacts that imposing a gas price cap could have on future gas supply and unsurprisingly suggested that any short-term gains would be offset by long-term supply issues.

Key points of the APPEA study include:

- "Price caps do not address the cause of high domestic prices – **lack of new gas supply and volatility in demand from the electricity market** with the transition to renewables does";
- "**The long-term net effect of a price cap is to increase demand with lower prices and decrease supply with lower economic returns** – the opposite of what is required"; and
- …(historically) price caps **decreased the incentive for exploration and risked long-term supply** because capital investment would be deferred or redeployed to markets with higher prices.

Exhibit 22: The latest AEMO data points to a wide range of gas price bids and offers for 2023



Source: AEMO data

We find it difficult to reconcile how a temporary and restrictive gas price cap helps deliver a solution to the long-term issue of higher pricing – certainly we feel the imposition of a price cap of $12/gj for 2023 appears to have been made with a political bias and not necessarily (and certainly not solely) on an economic basis.

Anecdotally, we believe gas buyers continue to approach existing or emerging gas producers pre-emptively on east coast gas supply for 2024 and beyond and have been discussing prices in excess of a nominal $12/gj benchmark, **as evidenced by the AJQ gas supply agreement with Shell.**

There is somewhat of a disconnect between the headline noise and what is happening on the ground in a practical sense.

We would add that at $12/gj, incremental supply does remain materially profitable for existing producers.

If there is a risk to the forecast gas price outlook it lies in the government's imposition of a 'a mandatory code of conduct' and **"reasonable pricing provision"** and how that works in an absolute sense.

Is the reasonable pricing provision based on a cost-plus model, which imposes an arbitrary cap on returns based on 'theoretical' rates-of-return, but in practice ignores all the inherent risks in getting from exploration to production?

The ACCC has been publishing gas market analyses based on a LNG net-back model, so surely that should be the benchmark, we suggest.

These mechanisms represent a shift away from a free-market pricing model, with the government potentially price setting on a permanent basis. Ultimately and paradoxically, it could result in less gas in the domestic market and more heading to export.

This view likely represents the extreme edge of the range of outcomes, but if taken to that extreme it will almost certainly restrict new greenfield investment – capping the upside whilst exposing projects to the downside in an operating environment where the cost base is only going one-way. We have said this previously but each subsequent new tranche of gas in developed provinces comes at a higher base cost.

Importantly, and we have suggested this previously, the reasonable price provision would significantly impact the business case for LNG import terminals. I find it difficult to reconcile how an import project would be able to source gas internationally, after transport and re-gas costs, that would be profitable at $12 at the outlet flange of a terminal.

On an import basis, the reasonable price could only be 'import parity plus' and would certainly not be cheap.

The devil will be in the detail.

In the immediate short-term, the impact on the business model for AJQ is negligible in practical terms, but it is the next policy steps that are uncertain. In many ways, the federal energy policy beyond 2023 remains very opaque.

Board and Management

The composition of small company boards and management teams are perhaps more critical than for larger companies as the impact of seemingly incremental decisions can have a magnified impact on the growth and valuation of the company. There is less margin for error and often the Board is a critical source of working capital. Notably, the two lead Directors have been strong supporters of company through direct funding and substantial underwriting positions since the IPO of the company in 2012.

Armour Energy has an experienced three-person board, providing we think the appropriate skills sets and balance for a company leveraged to potentially transformational change through the proposed strategic development and growth strategy. There is the requisite blend of corporate governance, finance and technical experience to set up and guide the company through what could be game changing activity over the next two to three years. We note the pending addition of William Ovenden to the provide to provide the direct technical oversight as development programmes and campaigns progress.

Board

Executive Chairman: Nick Mather - BSc (Hons. Geology), MAusIMM

Nick has been a director of the company from February 2012. He has over 35 years' experience and an extensive background in the junior resource sector across the precious and base metals; and energy sectors where he was (with Stephen Bizzell):

- A co-founder and Executive Director of Arrow Energy Ltd until 2004 (acquired by Royal Dutch Shell Plc and the PetroChina Group for ~$3.5bn in 2010); and
- A co-founder and a Non-Executive Director of Bow Energy Ltd (acquired by Arrow Energy Ltd for $550mn in 2011).

He currently sits on the Boards of a number of other ASX listed companies:

- Managing Director of DGR Global Limited (ASX:DGR);
- Non-Executive Director of NewPeak Metals (ASX:NPM);
- Non-Executive Director of Clara Resources (ASX:C7A); and
- Non-Executive Director of Lakes Blue Energy (ASX:LKO),

He is also a Non-Executive Director of the AIM-listed company, SolGold plc (LSE:SOLG).

Non-Executive Director: Stephen Bizzell – B.Comm, MAICD, SA FIN

Stephen has been a director of the company since March 2012 and is a highly experienced company director and corporate advisor with expertise spanning the finance, risk management and commercial areas of the energy, resources and financial services sectors.

He has held executive and board positions including over 25 years of listed company directorship experience in Australia and Canada having sat on 16 exchange-listed company boards.

Stephen was (with Nick Mather):

- A co-founder and Executive Director of Arrow Energy Ltd until its takeover in 2010 (acquired by Royal Dutch Shell Plc and the PetroChina Group for ~$3.5bn); and
- A co-founder and a Non-Executive Director of Bow Energy Ltd (acquired by Arrow Energy Pty Ltd for $550mn in 2011).

He is currently Stephen is the Chairman of boutique corporate advisory and funds management group Bizzell Capital Partners Pty Ltd and sits on the Boards of:

- MAAS Group Holdings Ltd (ASX:MGH) as the Non-Executive Chair;
- Strike Energy (ASX:STX) as a Non-Executive Director;
- Renascor Resources Limited (ASX:RNU) as a Non-Executive Director; and
- Savannah Goldfields Limited (ASX:SVG) as the Executive Chair.

Research as a Service

Non-Executive Director: Eytan Uliel - BA, LLB

Eytan holds a double degree (Law-Arts) from UNSW and has a wealth of experience as a commercial director and finance executive. His expertise spans the corporate finance role, in mergers and acquisitions, capital raisings and general corporate advisory work, with oil and gas industry-specific experience in public market takeovers and transactions, private treaty acquisitions, and partnering transactions.

He has extensive oil and gas industry experience, having served as the Commercial Director of Bahamas Petroleum plc (a UK-listed company) and as the CFO/CCO of Dart Energy Limited.

Eytan has previously served as a director on the boards of Easycall International Ltd, Strike Energy Limited, Jasper Investments Ltd, CH4 Gas Ltd (until merging with Arrow Energy Ltd), and as an alternate director of Neverfail Springwater Ltd.

Board Advisor (pending appointment as a Non-Executive Director): William Ovenden - B.Sc (Hons. Geology)

As per the ASX announcement of 20-Jan-2023, the board of Armour has appointed Bill in an advisory capacity to the board pending formal appointment as a Non-Executive Director.

Bill is a highly regarded and experienced industry executive with some 38 years across the sector, including positions with ExxonMobil, Sun Oil and Ampolex Ltd, and 10 years of executive management at Santos Limited (ASX:STO).

In his role as a Senior VP (Exploration and Subsurface) at Santos, he was the functional leader of all company subsurface technical staff, accountable for management and delivery across a range of technical competencies including resource allocation, performance reporting, subsurface data management and implementation of new technologies.

As the company enters a critical phase of its development strategy, particularly focussing on the production optimisation and growth opportunities at Kincora, we suggest Bill will provide the critical oversight required to assist in the timely delivery of target outcomes.

Exhibit 23: Directors' holdings

	Latest ASX notice	Fully Paid Ordinary Shares	Listed Options	Unlisted Options	Unlisted Amortising Debt Bonds	MOG Notes
Nick Mather*	30/03/23	18,039,824	4,613,166			
Stephen Bizzell	30/03/23	56,240,798	54,204,432	6,000,000 Ex-price - $0.08 Ex-date – 30/09/23	100	725,000
Eytan Uliel		Nil held				

Source: Company data (holdings as of last ASX releases); * Direct and indirect holdings

Management

Chief Executive Officer: Christian Lange - MBA**,** M.SPE

Christian is a highly experienced executive within both the Australian and International resources industries, having spent over 30 years in executive and operational roles globally.

Importantly as AJQ is entering a critical phase in the implementation of its development strategy centred on optimisation at Kincora, he brings some 18 years of executive and operational management expertise from subsurface management roles at Schlumberger in Australia/NZ, the Middle East, the United Kingdom, Venezuela and the USA

Christian was a founder and served eight years as the Managing Director/CEO of Condor Energy Services; and was Chairman of Engage Marine | Westug Pty Ltd from 2012 through to December 2018.

Prior to establishing Condor Energy, he was the Managing Director/CEO of ASX-listed Neptune Marine Services, a global subsea services' company, developed from a single technology start up, to a company employing over 700 people and operating in major offshore provinces.

Most recently Christian was the founder and MD of Griffin Energy Solutions, a specialist well engineering and project management company.

Chief Financial Officer: Geoffrey Walker - B.Com (Accounting); Grad Dip (Company Secretarial Practice), M.AICD

Geoff is a chartered accountant and member of the Australian Institute of Company Directors. He has over 30 years of commercial experience including as CFO of Eagers Automotive Limited (ASX:APE), Range International Limited (ASX:RAN) and Kina Petroleum Limited (ASX:KPE).

Geoff brings extensive and specific experience in capital market transactions, including IPO activities, M&A, strategic restructuring, and turnaround, change management; and formulating and executing strategic initiatives amongst his core competencies.

Operations Team

Robin O'Leary - Exploration and Portfolio

Robin holds qualifications in petroleum geoscience and commerce with over 20 years in exploration and economic evaluation essentially acting as the nexus between discovery and commercialisation in a dedicated role which aims to deliver an integrated approach from prospect generation, exploration and appraisal and (on success) development.

He has led upstream teams in Australia and globally at Origin Energy, Beach Energy and Timor Resources. Importantly, he has a track-record of exploration success with at least five discoveries from 2014 – 2022.

Edith Lagendijk - Subsurface

Edith brings over 25 years of global experience to the team in reservoir evaluation, filed development planning and technical assurance garnered through positions held with CononcoPhilips, Woodside, Arrow Energy and Shell.

Specifically, Edith has worked in key planning and new business roles for Large-scale LNG projects and as the Integrated Reservoir Modelling manager on the Shell QCLNG Project.

Kath Lange – Strategy and Commercial

Kath has worked with operations and services companies in a career of over 21 years in the oil and gas industry, including some 16 years with ExxonMobil as the Work Operation Manager on the Jansz-Io integration into the Gorgon LNG Project. Her roles with Griffin Energy Solutions included contract and well intervention programme management.

She has direct and important experience in the areas of reservoir engineering, HSE, regulatory compliance and JV management.

RaaS
Research as a Service

Top 20 shareholding register

Exhibit 24: Concentrated register - some 60% is held by the Top 10 shareholders

HOLDER	UNITS	%
DGR GLOBAL LIMITED	741,919,416	19.72
TENSTAR TRADING LIMITED	500,754,327	13.31
BAM OPPORTUNITIES FUND PTY LTD	225,069,430	5.98
ROOKHARP CAPITAL PTY LIMITED	223,367,320	5.94
MR PAUL COZZI	181,760,617	4.83
ASLAN EQUITIES PTY LTD	122,176,061	3.25
CITICORP NOMINEES PTY LIMITED	118,459,223	3.15
CHOICE INVESTMENTS DUBBO PTY LTD	51,951,472	1.38
MR PAUL AINSWORTH	51,000,000	1.36
WARBONT NOMINEES PTY LTD	50,000,000	1.33
CANCELER PTY LTD	40,000,000	1.06
BIZZELL CAPITAL PARTNERS PTY LTD	35,166,666	0.93
JACKA DEVELOPMENTS PTY LIMITED	25,000,000	0.66
MR WAYNE RICHARDS	20,100,842	0.53
CPS CONTROL SYSTEMS PTY LIMITED	19,025,382	0.51
PINEMONT TECHNOLOGIES AUSTRALIA PTY LTD	18,019,735	0.48
BLUBAY TRADE PTY LTD	17,500,207	0.47
KABILA INVESTMENTS PTY LIMITED	16,760,209	0.45
MR NIKHILKUMAR KANTILAL SHAH	16,400,000	0.44
MR NEVILLE AYROUTH	16,260,000	0.43
TOP 20 SHAREHOLDERS	**2,490,690,907**	**66.20**
Total Issued Ordinary Shares	**3,762,607,707**	**100.00**
Average monthly turnover for the 12-month period to 15-Apr-2023	**1.23mn shares**	

Source: Company data (as of 14/04/23)

RaaS
Research as a Service

Exhibit 25: Financial Summary

ARMOUR ENERGY LTD		AJQ
YEAR END		June
NAV	A$cps	$0.10
SHARE PRICE	Acps	$0.004
MARKET CAP	A$mn	15.3
ORDINARY SHARES	M	3,815
OPTIONS	M	

nm = not meaningful
na = not applicable

COMMODITY ASSUMPTIONS		FY21A	FY22A	FY23E	FY24E
Realised liquids price	US$/b	73.18	129.45	131.95	119.00
Realised gas price	US$/mcf	6.00	5.77	6.87	15.88
Realised LPG Price	A$/t	534	915	932	841
Exchange Rate	A$:US$	0.7474	0.7254	0.6728	0.6846

RATIO ANALYSIS		FY21A	FY22A	FY23E	FY24E
Shares Outstanding	M	1,530	2,039	3,763	3,763
EPS (pre sig items)	Acps	(1.0)	0.6	(0.3)	0.0
EPS (post sig items)	Acps				
PER (pre sig items)	x	(0.4x)	0.7x	(1.2x)	13.4x
OCFPS	Acps	(4.6)	(1.4)	(0.7)	0.2
CFR	x	(0.1x)	(0.3x)	(0.6x)	2.4x
DPS	Acps				
Dividend Yield	%				
BVPS	Acps	33.5	25.4	15.3	13.7
Price/Book	x	nm	nm	nm	nm
ROE	%	(25%)	(19%)	(22%)	2%
ROA	%	(12%)	(9%)	(12%)	1%
(Trailing) Debt/Cash	x	24.6x	11.1x	5.3x	14.0x
Interest Cover	x	(0.8x)	(1.1x)	(3.2x)	1.6x
Gross Profit/share	Acps	(3.0)	0.7	-1.1	3.1
EBITDAX	A$M	1.1	4.2	(1.7)	14.6
EBITDAX Ratio	%				

EARNINGS	A$000s	FY21A	FY22A	FY23E	FY24E
Revenue		17,502	17,985	15,162	34,153
Cost of sales		(22,151)	(16,641)	(19,286)	(22,370)
Gross Profit		**(4,649)**	**1,344**	**(4,123)**	**11,783**
Other revenue		601	404	0	0
Other income		70	9	325	85
Exploration written off		(853)	0	0	0
Finance costs		(6,316)	(5,206)	(3,095)	(2,422)
Impairment		(11,500)	(1,004)	0	0
Other expenses		(7,013)	(12,533)	(8,843)	(10,262)
EBIT		(5,346)	(5,983)	(9,871)	3,943
Profit before tax		**(11,592)**	**(11,180)**	**(12,641)**	**1,606**
Taxes		0	174	0	(482)
NPAT Reported		**(11,592)**	**(11,006)**	**(12,641)**	**1,124**
Underlying Adjustments					
NPAT Underlying					

CASHFLOW	A$000s	FY21A	FY22A	FY23E	FY24E
Operational Cash Flow		**(3,094)**	**247**	**23,080**	**14,403**
Net Interest		(4,427)	(3,092)	(2,770)	(337)
Taxes Paid		0	0	0	0
Other		(8,395)	(6,227)	(28,559)	(14,111)
Net Operating Cashflow		**(7,062)**	**(2,888)**	**(2,710)**	**629**
Exploration		0	0	(7,400)	(5,000)
PP&E		(30)	(96)	0	0
Petroleum Assets		(11,436)	(2,504)	0	0
Net Asset Sales/other		16,239	(995)	0	0
Net Investing Cashflow		**4,773**	**(3,595)**	**(7,400)**	**(5,000)**
Dividends Paid					
Net Debt Drawdown		(18,800)	(1,245)	(2,054)	(9,810)
Equity Issues/(Buyback)		20,463	8,918	12,825	0
Other					10,000
Net Financing Cashflow		**1,401**	**9,078**	**10,771**	**190**
Net Change in Cash		**(888)**	**2,595**	**661**	**(4,181)**

BALANCE SHEET	A$000s	FY21E	FY22A	FY23E	FY24E
Cash & Equivalents		2,358	3,255	5,614	1,433
PP&E & Development		52,799	50,750	53,019	74,715
Exploration		32,013	34,266	41,666	41,666
Total Assets		**104,616**	**108,037**	**109,464**	**134,184**
Debt		36,208	29,540	20,000	22,000
Total Liabilities		**53,405**	**56,217**	**51,728**	**82,750**
Total Net Assets/Equity		**51,211**	**51,820**	**57,736**	**51,434**
Net Cash/(Debt)		(26,150)	(26,285)	(14,386)	(20,567)
Gearing dn/(dn+e)		34%	34%	20%	29%

PRODUCTION		FY21A	FY22A	FY23E	FY24E
Condensate/Crude Oil	kboe	42.5	34.8	21.2	23.5
Nat Gas	PJ	2.1	1.9	1.5	1.8
LPG	kt	3.6	2.7	1.9	2.7
TOTAL	**kboe**	**422**	**369**	**289**	**345**
Product Revenue	A$mn	17.5	18.0	15.2	34.2
Cash Costs	A$mn	17.0	14.2	16.9	0.0
Ave Price Realised	A$/boe	41.43	48.75	52.50	98.90
Cash Costs	A$/boe	40.14	38.37	58.56	0.00
Cash Margin		**3%**	**21%**	**-12%**	**100%**

		Reserves			Contingent	
Net To AJQ		**1P**	**2P**	**3P**	**2C**	**3C**
Kincora Reserves						
Sales Gas	PJ	39.8	145.8	325.2		
LPG	kt	82	301	672		
Condensate	kb	396	1,449	3,232		
Oil	kb	204	1,200	2,610		
MacArthur Basin plays						
Conventional	PJ				6.0	53.0
Wombat-Triton						
Sales Gas	PJ			437	818	
Otway-1						
Sales Gas	PJ				35	

Prospective Resources		1U	2U	3U
MacArthur Basin plays				
Conventional	PJ	191	4,624	54,813
Unconventional	PJ	5,203	28,126	126,303
TOTAL	PJ	5,394	32,750	181,116
Liquids	Mb	25	529	3,799

EQUITY VALUATION	Interest	Pr	A$mn	A$/share
Queensland				
Kincora - Base case	Various	90%	$49	$0.01
Kincora - Growth	Various	50%	$97	$0.03
Exploration	Various		$15	$0.00
Newstead Gas Storage		50%	$20	$0.01
Northern Australia				
McArthur Basin - contingent	EP171	75%	$29	$0.01
McArthur Basin - prospective	Various	3%	$96	$0.03
Cooper Basin				
Exploration	Various		$10	$0.00
Victoria				
Wombat - Trifon	PRL 2	25%	$10	$0.00
Enterprise North	PEP 169	40%	$90	$0.02
Otway-1	PEP 169	6%	$3	$0.00
Other			$3	$0.00
			$422	$0.11
Net cash/(debt)			($24)	($0.01)
Corporate costs			($5)	($0.00)
TOTAL			**$393**	**$0.10**
Shares on issue (mn)	projected		**3,815**	

Source: RaaS Advisory; Priced as at 20-April-2023

FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

ABN 99 614 783 363

Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

Effective Date: 6th May 2021

RaaS
Research as a Service

About Us

BR Securities Australia Pty Ltd (BR) is the holder of Australian Financial Services License ("AFSL") number 456663. RaaS Advisory Pty Ltd (RaaS) is an Authorised Representative (number 1248415) of BR.
This Financial Service Guide (FSG) is designed to assist you in deciding whether to use RaaS's services and includes such things as

- who we are
- our services
- how we transact with you
- how we are paid, and
- complaint processes

Contact Details, BR and RaaS
BR Head Office: Suite 5GB, Level 5, 33 Queen Street, Brisbane, QLD, 4000
RaaS. 20 Halls Road Arcadia, NSW 2159
P: +61 414 354712
E: finola.burke@raasgroup.com

RaaS is the entity providing the authorised AFSL services to you as a retail or wholesale client.

What Financial Services are we authorised to provide? RaaS is authorised to

- provide general advice to retail and wholesale clients in relation to
    - Securities
- deal on behalf of retail and wholesale clients in relation to
    - Securities

The distribution of this FSG by RaaS is authorized by BR.

Our general advice service

Please note that any advice given by RaaS is general advice, as the information or advice given will not take into account your particular objectives, financial situation or needs. You should, before acting on the advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Prospectus, Product Disclosure Statement or like instrument. As we only provide general advice we will not be providing a Statement of Advice. We will provide you with recommendations on securities

Our dealing service

RaaS can arrange for you to invest in securities issued under a prospectus by firstly sending you the offer document and then assisting you fill out the application from if needed.

How are we paid?

RaaS earns fees for producing research reports. Sometimes these fees are from companies for producing research reports and/or a financial model. When the fee is derived from a company, this is clearly highlighted on the front page of the report and in the disclaimers and disclosures section of the report.
We may also receive a fee for our dealing service, from the company issuing the securities.

Associations and Relationships

BR, RaaS, its directors and related parties have no associations or relationships with any product issuers other than when advising retail clients to invest in managed funds when the managers of these funds may also be clients of BR. RaaS's representatives may from time to time deal in or otherwise have a financial interest in financial products recommended to you but any material ownership will be disclosed to you when relevant advice is provided.

Complaints

If you have a complaint about our service you should contact your representative and tell them about your complaint. The representative will follow BR's internal dispute resolution policy, which includes sending you a copy of the policy when required to. If you aren't satisfied with an outcome, you may contact AFCA, see below.
BR is a member of the Australian Financial Complaints Authority (AFCA). AFCA provide fair and independent financial services complaint resolution that is free to consumers.
Website: www.afca.org.au; Email: info@afca.org.au; Telephone: 1800931678 (free call)
In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

Professional Indemnity Insurance

BR has in place Professional Indemnity Insurance which satisfies the requirements for compensation under s912B of the Corporations Act and that covers our authorized representatives.

RaaS
Research as a Service

DISCLAIMERS and DISCLOSURES

This report has been commissioned by Armour Energy Ltd prepared and issued by RaaS Advisory Pty Ltd. RaaS Advisory has been paid a fee to prepare this report. RaaS Advisory's principals, employees and associates may hold shares in companies that are covered and, if so, this will be clearly stated on the front page of each report. This research is issued in Australia by RaaS Advisory and any access to it should be read in conjunction with the Financial Services Guide on the preceding two pages. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable. Opinions contained in this report represent those of the principals of RaaS Advisory at the time of publication. RaaS Advisory provides this financial advice as an honest and reasonable opinion held at a point in time about an investment's risk profile and merit and the information is provided by the RaaS Advisory in good faith. The views of the adviser(s) do not necessarily reflect the views of the AFS Licensee. RaaS Advisory has no obligation to update the opinion unless RaaS Advisory is currently contracted to provide such an updated opinion. RaaS Advisory does not warrant the accuracy of any information it sources from others. All statements as to future matters are not guaranteed to be accurate and any statements as to past performance do not represent future performance.

Assessment of risk can be subjective. Portfolios of equity investments need to be well diversified and the risk appropriate for the investor. Equity investments in listed or unlisted companies yet to achieve a profit or with an equity value less than $50 million should collectively be a small component of a balanced portfolio, with smaller individual investment sizes than otherwise.

The science of climate change is common knowledge and its impacts may damage the global economy. Mitigating climate change may also disrupt the global economy. Investors need to make their own assessments and we disclaim any liability for the impact of either climate change or mitigating strategies on any investment we recommend.

Investors are responsible for their own investment decisions, unless a contract stipulates otherwise. RaaS Advisory does not stand behind the capital value or performance of any investment. Subject to any terms implied by law and which cannot be excluded, RaaS Advisory shall not be liable for any errors, omissions, defects or misrepresentations in the information (including by reasons of negligence, negligent misstatement or otherwise) or for any loss or damage (whether direct or indirect) suffered by persons who use or rely on the information. If any law prohibits the exclusion of such liability, RaaS Advisory limits its liability to the re-supply of the Information, provided that such limitation is permitted by law and is fair and reasonable. Copyright 2023 RaaS Advisory Pty Ltd (A.B.N. 99 614 783 363). All rights reserved.