



## Armour Energy Limited

15 October 2019

### Binding Term Sheet for \$A95m South Nicholson Basin Farm-in by Santos Limited

#### Highlights:

- **Binding Term Sheet agreed with Santos QNT Limited for Farm-in by Santos into Armour's South Nicholson Basin oil and gas exploration project in Northern Australia.**
- **Armour to receive an upfront cash payment of \$A15million.**
- **Armour to be free carried 100% up to an exploration expenditure of \$A65 million for the committed work program over 4 years.**
- **Armour to receive further cash payments up to \$A15 million, subject to certain conditions being satisfied.**
- **Santos will acquire a 70% and operated interest in each tenement as conditions are satisfied.**

The Directors of Armour Energy Limited (ASX: AJQ; **Armour**) are pleased to advise that the Company has executed a Binding Term Sheet with Santos QNT Limited (**Santos**), a wholly owned subsidiary of Santos Limited (ASX: STO) whereby Santos and Armour will jointly explore and develop Armour's extensive oil and gas prone South Nicholson Basin in North Queensland and the Northern Territory.

Armour's South Nicholson Basin exploration project area covers approximately 408 million acres and includes the Egilabria 2DW1 directional well which was the first hydraulically stimulated horizontal shale well in Australia to flow hydrocarbons to surface.

Santos will farm-in to certain tenements, being a granted tenement and applications in North Queensland (ATP1087: *granted*, and ATP1107, ATP1192 and ATP1193: *applications*) and the Northern Territory permit applications (EP172 and EP177), as depicted by the blue bordered area in **Figure 1** (the "**Farm-in Tenements**").

Armour will retain 100% ownership of its other tenements in Northern Australia covering approximately 774 million acres, including the McArthur Basin in the Northern Territory.

Under the Binding Term Sheet, Santos will pay Armour \$A15million in cash within 10 days of execution of the formal Farm-in Agreement, and further cash payments of up to \$A15million will be payable by Santos subject to certain conditions being satisfied with respect to the application tenements.



Additionally Santos will carry 100% of Armour's share of expenditure for the work programs within the Farm-in Tenements up to a combined total expenditure of \$A65million. Armour will transfer a 70% working interest and operatorship of the Farm-in Tenements to Santos on a phased approach, commencing with ATP1087 as the immediate exploration target. Interest and operation of the remaining Farm-in Tenements will be transferred to Santos subject to the formal granting of tenure by the Queensland and Northern Territory Governments.

Under the Binding Term Sheet, Armour and Santos will work towards the execution of the Farm-in Agreement by 31 October 2019, and the parties intend to enter into a Joint Operating Agreement within 3 months.

Armour Energy's CEO, Roger Cressey, said ***"Armour is excited to be entering into a mutually beneficial partnership with one of Australia's most recognised and capable oil and gas companies. The Binding Term Sheet with Santos paves the way for accelerated exploration of the highly-prospective South Nicholson Basin in the best interests of both companies. This transaction represents another major milestone in Armour's development."***

Nick Mather, Armour's Executive Chairman, remarked on the agreement with Santos: ***"Santos' entry into the Binding Term Sheet with Armour supports Armour's view that the South Nicholson Basin represents one of Australia's, if not the world's, great opportunities for the discovery of a new frontier oil and gas province. In contrast to other locations, such as the organic rich Proterozoic Basins in Oman and Siberia that host several multi billion barrel fields, the South Nicholson Basin has not really been touched. The Company is pleased that Santos has decided to work with Armour to unlock the potential of this basin."***

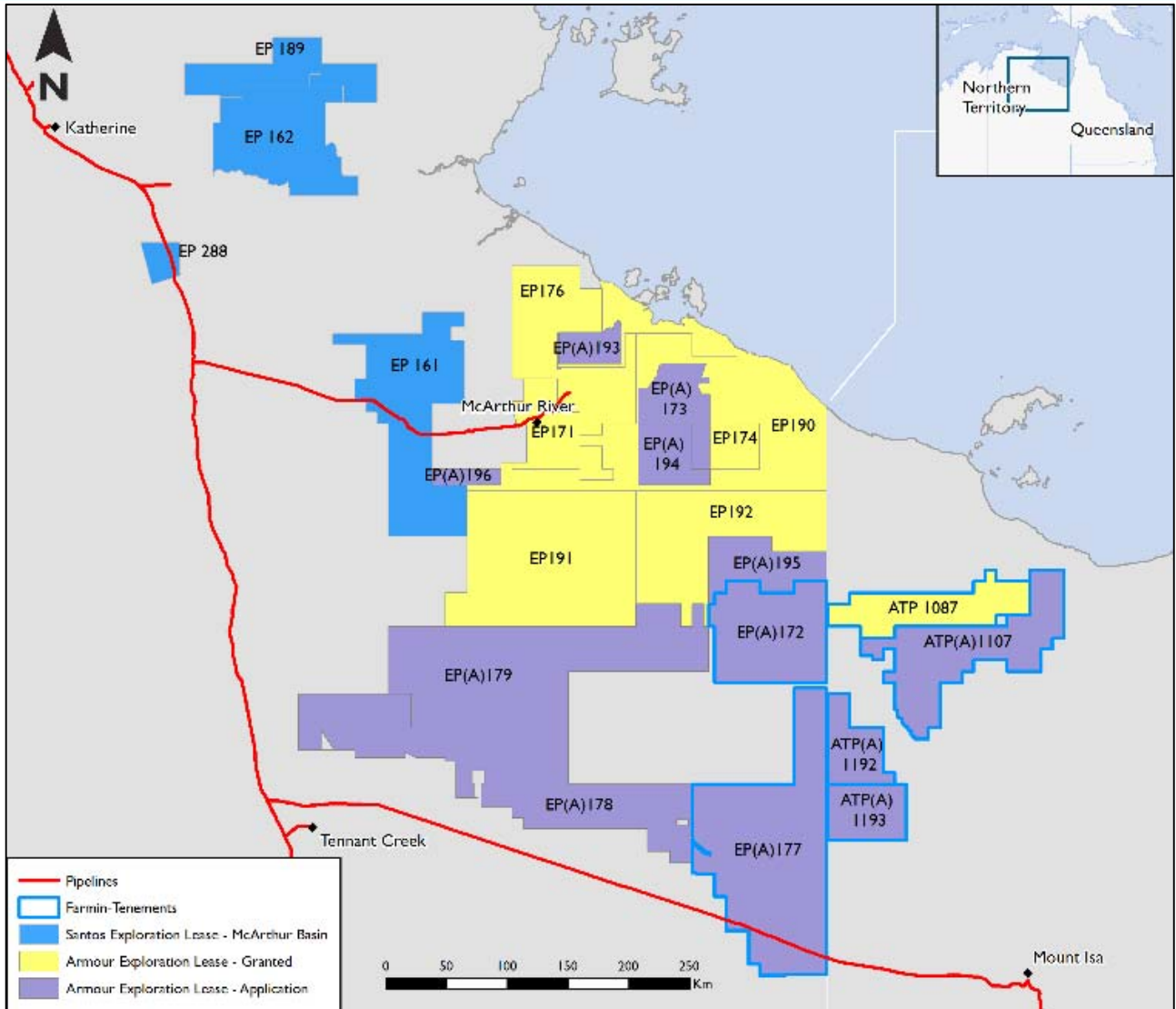
A handwritten signature in blue ink, appearing to read "K. Schlobohm", is positioned above the typed name of the Company Secretary.

On behalf of the board  
Karl Schlobohm  
Company Secretary

**For further information contact:**

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**Figure 1: Map showing the Farmin Tenements within the blue border**  
 (Armour's other 100% owned tenements not subject to the farm-in are the yellow and purple shaded tenements outside the blue border)