

ASX ANNOUNCEMENT

TUESDAY 22 DECEMBER 2020

ASX Code: AJQ

Executives

Bradley Lingo - Chief Executive Officer
Karl Schlobohm – Company Secretary
Michael Laurent – Chief Operating Officer
Toni Hawkins – Chief Financial Officer

Directors

Nicholas Mather – Executive Chairman
Stephen Bizzell - Non-Executive Director
Roland Sleeman – Non-Executive Director
Eytan Uliel – Non-Executive Director

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EXECUTION OF BINDING TERM SHEET FOR THE SALE OF ADDITIONAL SOUTH NICHOLSON BASIN PERMIT INTERESTS TO SANTOS

HIGHLIGHTS:

- **Armour has entered into a binding term sheet to sell its additional interest in South Nicholson Basin Permits to Santos.**
- **As consideration, Armour to receive approximately \$12.25 million in cash payments plus retain 100% ownership of ATP(A) 1107.**
- **Armour retains a material exposure to the South Nicholson Basin play by securing operatorship and full control of ATP(A) 1107 covering 7,906 km².**

The Directors of Armour Energy Limited (ASX: AJQ; “Armour”, or “the Company”) are pleased to announce the execution of a binding term sheet for a further sale of the Company’s remaining 30% interest in a portion of the South Nicholson Basin Exploration Project to Santos QNT Pty Ltd (Santos), a wholly-owned subsidiary of Santos Ltd (ASX: STO). The South Nicholson Basin Exploration Project area covers approximately 40,751 km² (see attached map in Appendix 1).

Under the binding term sheet, Santos will acquire 100% ownership of ATP 1087 (of which Santos currently holds a 70% interest and is operator) and the application permit areas in Queensland ATP(A) 1192 and 1193 and the Northern Territory tenements EP(A) 172 and 177. As consideration, Armour will receive an initial payment of \$3 million upon execution of the term sheet, a further \$9.25 million in cash upon completion of customary conditions precedent, and will retain full ownership and operatorship of ATP(A) 1107.

ATP(A) 1107 covers 7,906 km² of the South Nicholson Basin Exploration Project. Armour’s net acreage position in the South Nicholson Basin Exploration Project will reduce by only approximately 35% from 12,225 km² (30% of 40,751 km²) to 7,906 km² as a result of this transaction, whilst also receiving \$12.25m in cash proceeds.

Completion of the sale of the South Nicholson Basin Exploration Interests to Santos is expected by 31 January 2021. With the completion of this additional transaction, over the last 12-months, the Company has received \$33.25 million in cash proceeds in relation to the South Nicholson Basin Project, whilst retaining 100% ownership and operatorship of ATP(A) 1107.



Armour Energy's CEO, Brad Lingo said:

"This is a significant step for Armour and is a clear demonstration of the Company's commitment to deliver on the strategic priorities outlined in August 2020. We are very pleased with the result bringing this additional capital, of which a substantial portion will go to reducing the Company's outstanding long-term debt."

Mr. Lingo added:

"Retaining the ATP(A) 1107 Application Area enables the Company to maintain substantial exposure to the unconventional shale gas play it proved-up with the Egilabria 2DW1 directional well, which was the first hydraulically stimulated shale gas well in Australia to flow hydrocarbons to surface. Operatorship and 100% ownership of this material application area provides Armour with the control and flexibility in progressing activity and maintaining exposure to the play potential of this area."

This Announcement is Authorised by the Board of Directors

Karl Schlobohm
Company Secretary

For further information contact:

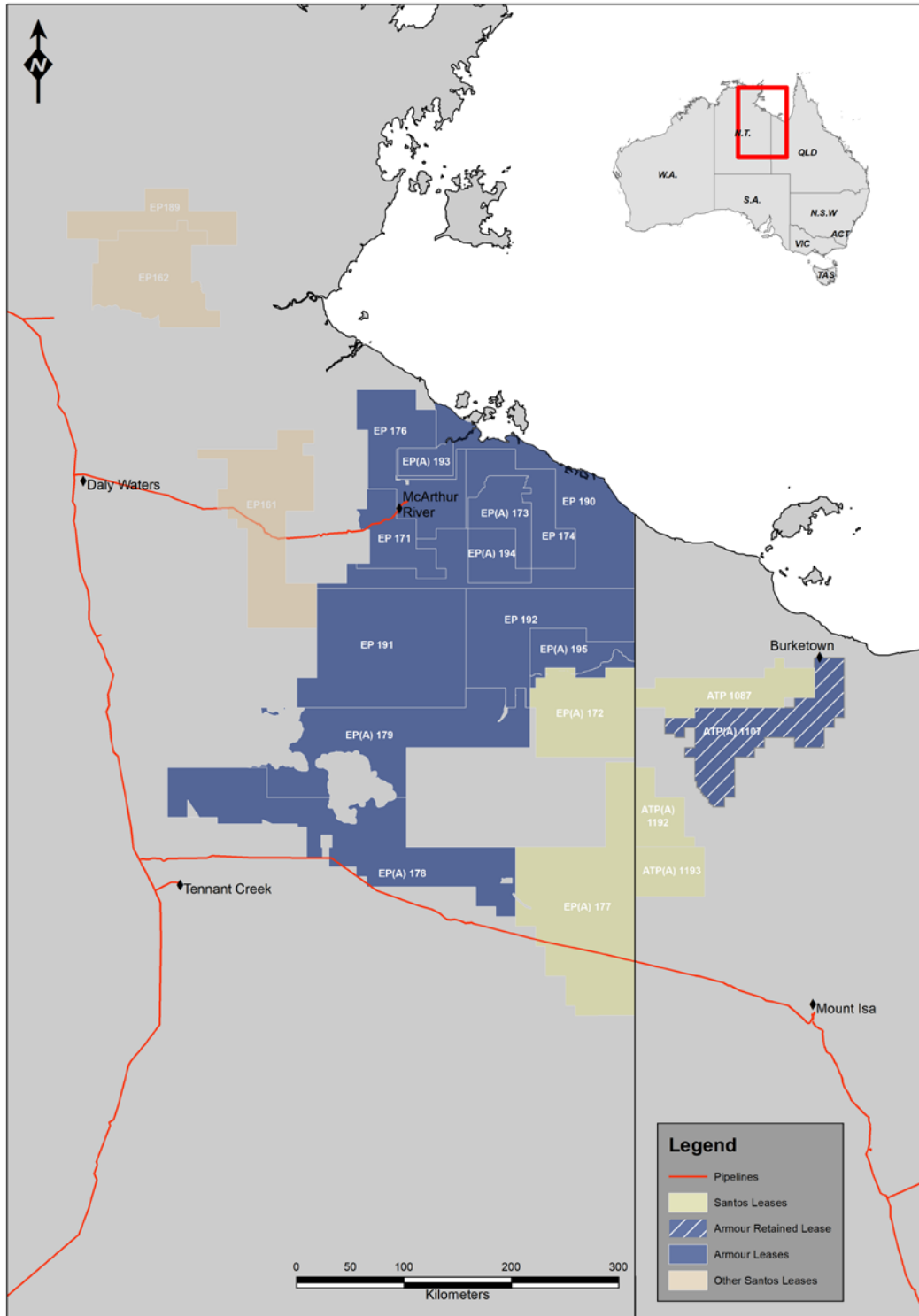
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APPENDIX 1
South Nicholson Basin Exploration Project Area



Map showing the Santos Farmin Permits within the green border