

Armour Energy (ASX:AJQ)

ASX Announcement

6 January 2021

Execution of sale and purchase agreement for the sale of additional South Nicholson Basin Permit Interests to Santos.

HIGHLIGHTS:

- Armour and Santos QNT Pty Ltd (Santos) have now formally executed the sale and purchase agreement to sell Armour's remaining interest in several South Nicholson Basin Permits to Santos.
- As consideration, Armour to receive approximately \$12.25 million in cash payments plus re-acquire 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") refer to the Company's previous announcement of 22 December 2020 are pleased to announce the execution of a sale and purchase agreement (SPA) 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 SPA, 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 has received an initial payment of \$3 million upon execution of the term sheet, with a further \$9.25 million in cash to be received upon completion of customary conditions precedent and will re-acquire 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. Receipt of these sale proceeds has enabled the Company to reduce outstanding long-term debt by 28% from \$62 million to \$44 million (reflecting additional accelerated amortisation of the Senior Secured Amortising Bonds after the application of proceeds from the sale of the additional South Nicholson Basin interests to Santos.

Armour Energy's CEO, Brad Lingo said:

"This is a great start to 2021 with the Company both clearly focussed on strengthening the balance sheet but also materially delivering on it. The Company has made a strong commitment to deliver on the strategic priorities outlined in August 2020 and we are very pleased to show investors that we can deliver on those commitments. More work clearly needs to be done but to deliver a material reduction in debt against the backdrop of the challenges that 2020 brought with the COVID-19 pandemic shows the resilience and commitment of the Company to deliver for shareholders."

This Announcement is Authorised by the Board of Directors

Karl Schlobohm

Company Secretary

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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

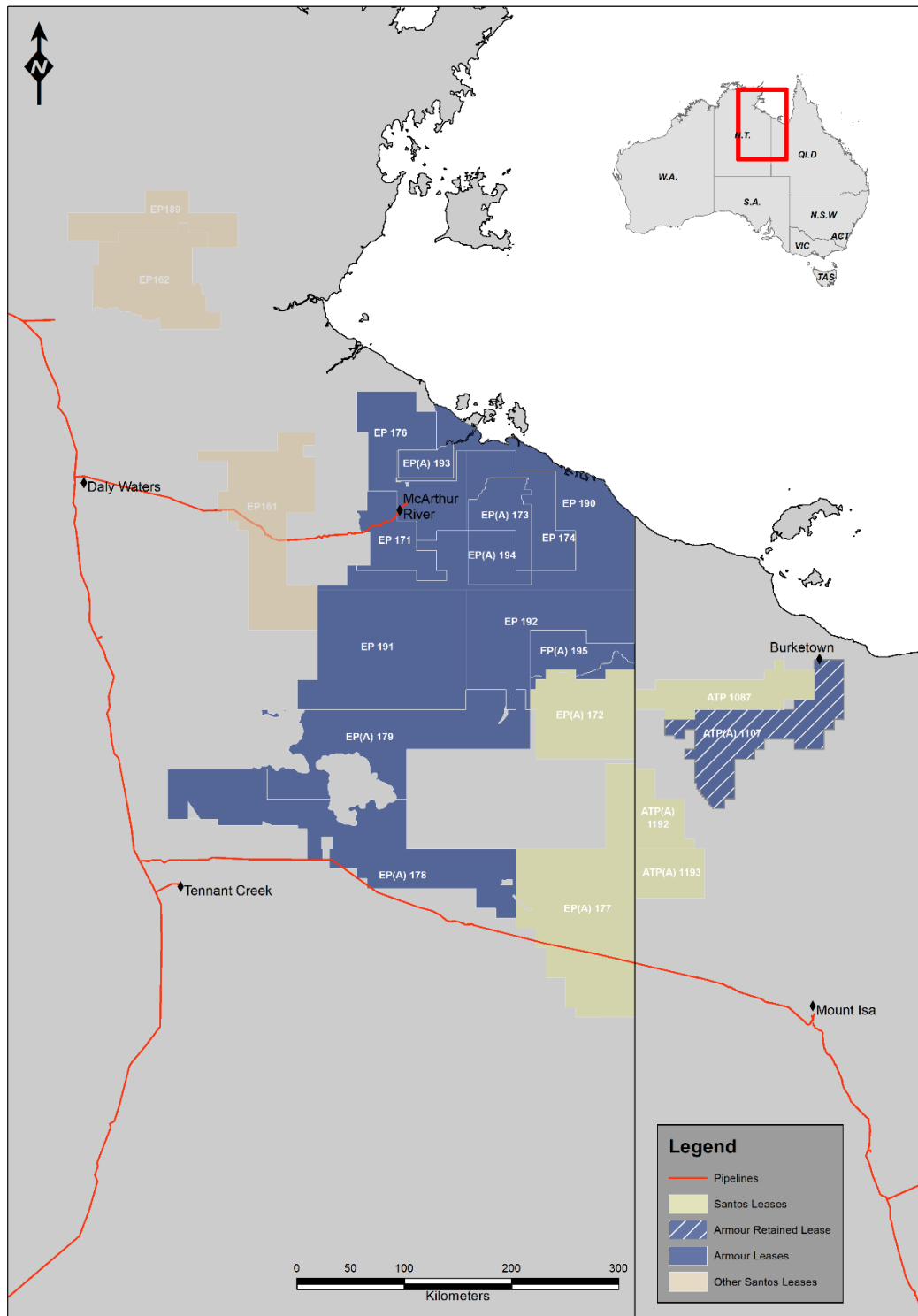
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Map showing the Santos Farmin Permits within the green border