

Armour Energy Limited

4 December 2019

Armour Energy Limited and Santos QNT Pty Ltd Execute South Nicholson Basin Farmin Agreement

Highlights:

- **Armour Energy Limited (Armour) and Santos QNT Pty Ltd (Santos) have now formally executed the Farmin Agreement covering Armour's South Nicholson Basin oil and gas exploration project in Northern Australia.**
- **Armour to receive an initial cash payment of \$A15 million within 5 business days of the submission of an application to the Queensland Government to transfer a 70% interest and operatorship of ATP1087 to Santos.**
- **Armour may receive further cash payments of up to A\$15 million in total, and Santos may acquire a 70% and operated interest in all other Farmin Permits, if further conditions are satisfied.**
- **Santos to free carry Armour for work program expenditure on all tenements up to a capped amount of A\$64.9 million (Total Capped Amount) subject to satisfaction of further conditions.**

The Directors of Armour Energy Limited (ASX: AJQ; **Armour**, the **Company**) refer to the Company's previous announcement of 14 October 2019 and are pleased to advise that the Company has now executed the South Nicholson Basin Farmin Agreement (the **Farmin Agreement**) with Santos QNT Pty Ltd (**Santos**), a wholly-owned subsidiary of Santos Ltd (ASX: STO).

Armour's South Nicholson Basin exploration project area covers approximately 10.07 million acres as per **Figure 1** (the "**Farmin Permits**") and includes the Egilabria 2DW1 well (**Figure 2**), which was drilled in 2014 and the first hydraulically stimulated horizontal shale well in Australia to flow hydrocarbons to surface (as per presentation submitted to the ASX on 17 October 2014).

Under the Farmin Agreement, Santos has the right to earn a 70% interest in Armour's North Queensland tenements, being ATP1087 (granted), and ATP1107, ATP1192 and ATP1193 (applications), and the Northern Territory tenements EP172 and EP177, both of which are also in the application phase.

The remainder of Armour's Northern Territory exploration portfolio is not subject to, or affected by, this Farmin Agreement.

ATP1087

Under the terms of the Farmin Agreement, Armour will make an application to the Queensland Government to transfer a 70% interest and the operatorship of ATP1087 to Santos, and Santos will pay Armour A\$15 million as reimbursement for the total costs already incurred on the South Nicholson Project, within 5 business days of the Farmin Agreement date. In addition, Santos will free carry Armour on the proposed work program up to a capped amount of A\$12.5 million, subject to Santos obtaining all required approvals (including land access agreements).

ATP1107 (Application)

Santos has the right to earn a 70% interest in and operatorship of ATP1107 subject to carrying out the farmin obligations. Santos' farmin obligations include paying to Armour the transfer payment of A\$3 million (as reimbursement for the total costs already incurred on the South Nicholson Project) (the **Transfer Payment**), and free carrying Armour on the farmin program to an agreed capped amount. However, Santos' farmin obligations are subject to the following conditions being satisfied: the formal granting of the tenure to Armour by the Queensland Government; and Santos in its complete discretion, confirming to Armour in writing within 60 days of the grant of the tenement that the permit conditions and relevant key agreements are acceptable to Santos.

ATP1192, ATP1193, EP172 and EP177 (Applications)

Armour is also required to progress the formal award of these tenures. Santos has the right to earn a 70% interest in and operatorship of each of these tenures, subject to carrying out the farmin obligations. In each case the farmin obligations include carrying out the relevant farmin program up to an agreed capped amount (the **Free Carry**), and payment of the Transfer Payment. Again in each case Santos' obligations are subject to it confirming to Armour in writing within 60 days of the grant that the relevant permit conditions and key agreements are acceptable to Santos.

Should Santos choose to withdraw from a Farmin Permit (other than ATP1087) or not enter into a key agreement under the conditions presented, then the tenure will remain in 100% ownership by Armour.

Santos also retains the right to withdraw from any and all Farmin Permits if, during the drilling of a significant well (for either ATP1192 or ATP1193), Santos fails to achieve a successful completion. Santos may also withdraw from a Farmin Permit upon completing the farmin obligations for that permit.

In the event that an application to transfer a 70% interest in a Farmin Permit to Santos is not approved by the relevant Government, then Armour must refund the relevant Transfer Payment to Santos as soon as possible.

Both Armour and Santos will co-operate on negotiating the various key agreements so as to secure the grant of the various tenures.

Subject to satisfaction or waiver of the conditions outlined above, Santos will Free Carry 100% of Armour's share of expenditure for the various work programs for all of the Farmin Permits up to a Total Capped Amount of A\$64,900,000 (inclusive of the A\$12.5 million work program associated with ATP1087). However, Santos may exercise its withdrawal rights which will reduce the Total Capped Amount. Minimum work commitments on a specific Farmin Permit which are not covered by Santos' expenditure commitments under the farmin work program, will be carried out as joint operations under a joint operating agreement to be entered into respect of each tenure and funded by the parties in proportion to their respective participating interests.

Armour Energy's CEO, Richard Fenton said:

"We are pleased to enter into this farmin agreement with Santos, which marks the start of another chapter for Armour. The frontier exploration and gas discoveries made by Armour in the South Nicholson Basin has demonstrated the Company's ability to seek out and find valuable new resources, which draw the attention of major oil and gas companies."

"Ongoing exploration in this region has the potential to increase employment opportunities and increase access to reliable energy for a number of mines and remote communities in the Northern Australian region. Armour is pleased to be able to support the communities in which we operate."



On behalf of the board
Karl Schlobohm
Company Secretary

For further information contact:

Richard Fenton – CEO
07 – 3303 0620

Karl Schlobohm – Company Secretary
07-3303 0661

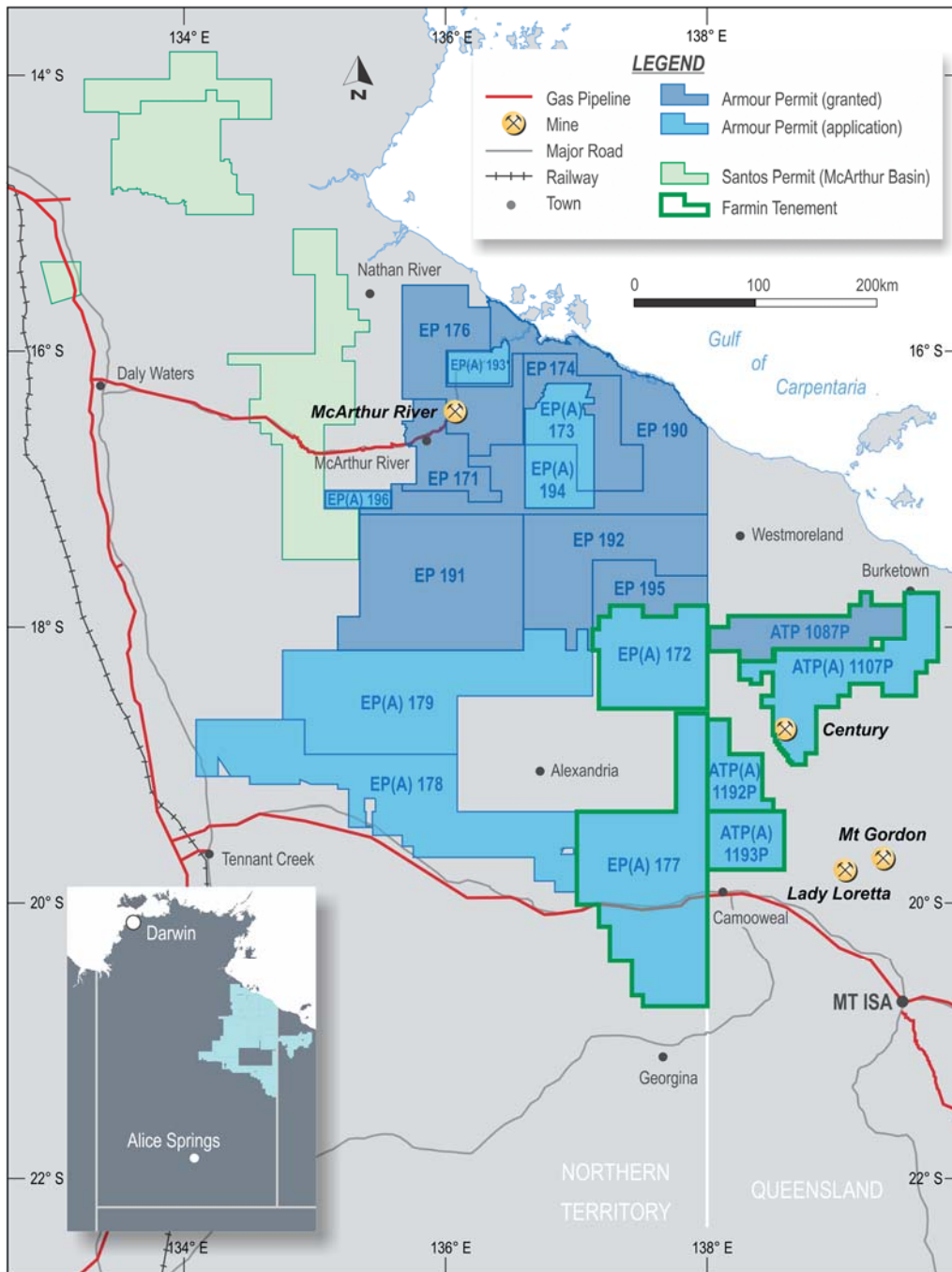


Figure 1: Map showing the Farmin Permits within the green border



Figure 2: Flare from Armour's Egilabria 2 Well Discovery – 8 October 2014