



Armour Energy Limited

16 August 2016

Armour Accepts Settlement Agreement with AEGP Australia

The Directors of Armour Energy Limited (ASX: AJQ, **Armour**, the Company) have resolved to accept a settlement agreement with AEGP Australia Pty Ltd (**AEGP**) following the ruling by the Queensland Supreme Court ordering specific performance by AEGP of its obligations under the Farm-out Agreement between Armour and AEGP in respect of the Northern Territory petroleum exploration permits.

Under the Farm-out Agreement, Armour was to receive an upfront cash payment of US\$13m and a subscription by AEGP to a further A\$3.5m in Armour shares at 20 cents per share. Following the death of AEGP Director and US affiliate American Energy Partners (**AEP**) founder, Chairman and CEO Aubrey McClendon on March 2nd 2016, AEGP has found itself in a position which has rendered it incapable of performance of its obligations pursuant to the Supreme Court judgment handed down on 14 July 2016.

A wholly owned subsidiary of AEGP, AEGPAS Pty Ltd (**AEGPAS**) will hold 40,063,785 shares in Armour (**Shares**). Given the uncertainty of the outcome of further pursuit of performance by AEGP, in these circumstances, Armour has agreed to acquire AEGPAS from AEGP at no cost in settlement of AEGP's obligations to Armour. This will afford Armour the opportunity, over a 12 month period, to effect either an orderly disposal of the Shares or cancel them. AEGP will also forgo its right to earn up to a 75% interest in Armour's Northern Territory tenements, allowing Armour to retain a 100% interest in these assets.

Accordingly, Armour and AEGP have agreed to the termination of the Farm-out Agreement, and will provide full mutual releases. The Shares have a current market value of approximately \$3.5 million and represent 12.99% of Armour's current issued capital. AEGP acquired the Shares as a result of subscription to 16.9 million Armour shares at 20c per share and also as a result of the proportional take-over bid at 25c per share for a further 23.1 million shares. This equated to a total expenditure of approximately \$9 million by AEGP in relation to the Shares. It is expected that Armour will in due course sell the Shares to realise their value, and any such disposal may involve a pro-rata offer to existing Armour shareholders to purchase them.

Commenting on the settlement, executive Chairman Nick Mather said "while not what we had hoped for from the relationship with AEP, nor what AEGP had agreed to, the untimely death of Mr McClendon, the difficulties associated with implementing the Supreme Court judgment, and in all the circumstances, the orderly disposal of the Shares in Armour is an acceptable outcome. This settlement also puts Armour back in control of its 100% owned Northern Territory assets."

Armour's Northern Territory assets cover a best estimate prospective resources of 4.9 trillion cubic feet (TCF) of conventional gas and 30.0 TCF of unconventional gas as announced on 21 September 2015.



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

On behalf of the board
Karl Schlobohm
Company Secretary

About Armour Energy

Armour Energy is focused on the discovery and development of world class gas and associated liquids resources in an extensive and recently recognised hydrocarbon province in northern Australia. This region has only recently had its shale potential identified by Armour Energy. The domestic and global demand for gas, combined with the new shale extractive technologies and experienced personnel, provides Armour with an extraordinary opportunity to define and ultimately develop a new liquids rich gas province.

Armour Energy's permit areas are characterised by low population densities, cooperative stakeholders and aspects of the natural environment suited to the exploration and development of a future gas and liquids province. Armour places considerable importance on close liaison with traditional owners and all stakeholders.

Armour Energy is focusing on the exploration of the McArthur, South Nicholson and Georgina Basins in the Northern Territory and Queensland, and in the onshore Gippsland Basin in Victoria in joint venture with Lakes Oil, for gas and associated petroleum liquids.

Armour's recent acquisition of assets and resources on the Roma Shelf establish the company's future as a petroleum producer.

Further information regarding Armour Energy Limited is available on Armour's website at www.armourenergy.com.au

For further information contact:

Robbert de Weijer – CEO
07 – 3303 0620

Karl Schlobohm – Company Secretary
07 - 3303 0661

Competent Persons Statements

Information on the estimated **prospective resources** in this release relating to Armour Energy Limited exploration permits in the Northern Territory, Australia, is based on an independent analysis conducted by SRK Consulting (Australasia) Pty Ltd and fairly represents the information and supporting documentation reviewed.

The review was carried out in accordance with the SPE Reserves Auditing Standards and the SPE-PRMS guidelines under the supervision of Dr. Bruce McConachie. Dr. McConachie meets the requirements of qualified petroleum reserve and resource evaluator as defined in Chapter 19 of the ASX Listing Rules and consents to the inclusion of this information in this release.

The estimated **prospective resource** review was carried out in accordance with the SPE Reserves Auditing Standards and the SPE-PRMS guidelines under the supervision of Mr. Luke Titus, Chief Geologist, Armour Energy Limited. Mr. Titus qualifications include a Bachelor of Science from Fort Lewis College, Durango, Colorado, USA and he is an active member of AAPG and SPE. He has over 17 years of relevant experience in both conventional and unconventional oil and gas exploration in various international hydrocarbon basins.

Mr. Titus meets the requirements of qualified petroleum reserve and resource evaluator as defined in Chapter 19 of the ASX Listing Rules and consents to the inclusion of this information in this release. The **evaluation date** and confirmation for the estimates for the new reports was 21 September 2015.

SPE-PRMS

Society of Petroleum Engineer’s Petroleum Resource Management System - Petroleum resources are the estimated quantities of hydrocarbons naturally occurring on or within the Earth’s crust. Resource assessments estimate total quantities in known and yet-to-be discovered accumulations, resources evaluations are focused on those quantities that can potentially be recovered and marketed by commercial projects. A petroleum resources management system provides a consistent approach to estimating petroleum quantities, evaluating development projects, and presenting results within a comprehensive classification framework.

PRMS provides guidelines for the evaluation and reporting of petroleum reserves and resources.

Under PRMS

“Prospective resources” are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both a chance of discovery and a chance of development. Prospective resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub-classified based on project maturity.

ASX Listing Rules Chapter 5, section 5.28.2

The estimated quantities of petroleum that may potentially be recovered by the application of future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.