



23 December 2013

Manager of Company Announcements
ASX Limited
Level 8 Exchange Plaza
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By E-Lodgement

Grant of 40% Interest in Pandora Gas Fields

Highlights

- Cott¹ granted a 40% interest in new PRL38 license which contains the 792 BCF² Pandora gas fields in the Gulf of Papua
- PRL38 contains the Pandora 1X well which was drilled in 1988 and flowed dry gas at 57mmscfd, Pandora B-1X well which flowed at 43.1mmscfd, and several other prospects which have yet to be evaluated
- Cott executes agreement to share proceeds on commercialisation of up to a 25% interest in PRL38 subject to agreed caps
- During the bidding and license application process, Cott agreed to assign 5% of its participating interest to Kina Petroleum Ltd in exchange for 10,000,000 Kina shares
- Work program comprises development and commercialisation studies in Years 1-3 (firm commitment of US\$2m for the JV) and a firm commitment well in Year 5 (2018)

The Board of Cott Oil and Gas Limited (ASX: CMT) (“Cott” or “Company”) is pleased to announce that its wholly-owned Papua New Guinean subsidiary, Wondecla Limited (Wondecla), has been awarded a 40% interest in the newly released Petroleum Retention License 38 (PRL 38). The license comprises nine graticular blocks covering approximately 765 km² and includes the Pandora gas fields. The license holders are as follows:

Wondecla Ltd	40%
Kina Petroleum Ltd	25%
Talisman Energy Niugini Ltd (Operator)	25%
Barracuda Ltd (a subsidiary of Santos Ltd)	10%

¹ Interest granted to Cott’s wholly-owned subsidiary, Wondecla Ltd

² Based on the Oil Search Ltd 2C contingent resource estimate of 191 BCF for its 24.09% interest in its 2012 Annual Report

BOARD & MANAGEMENT

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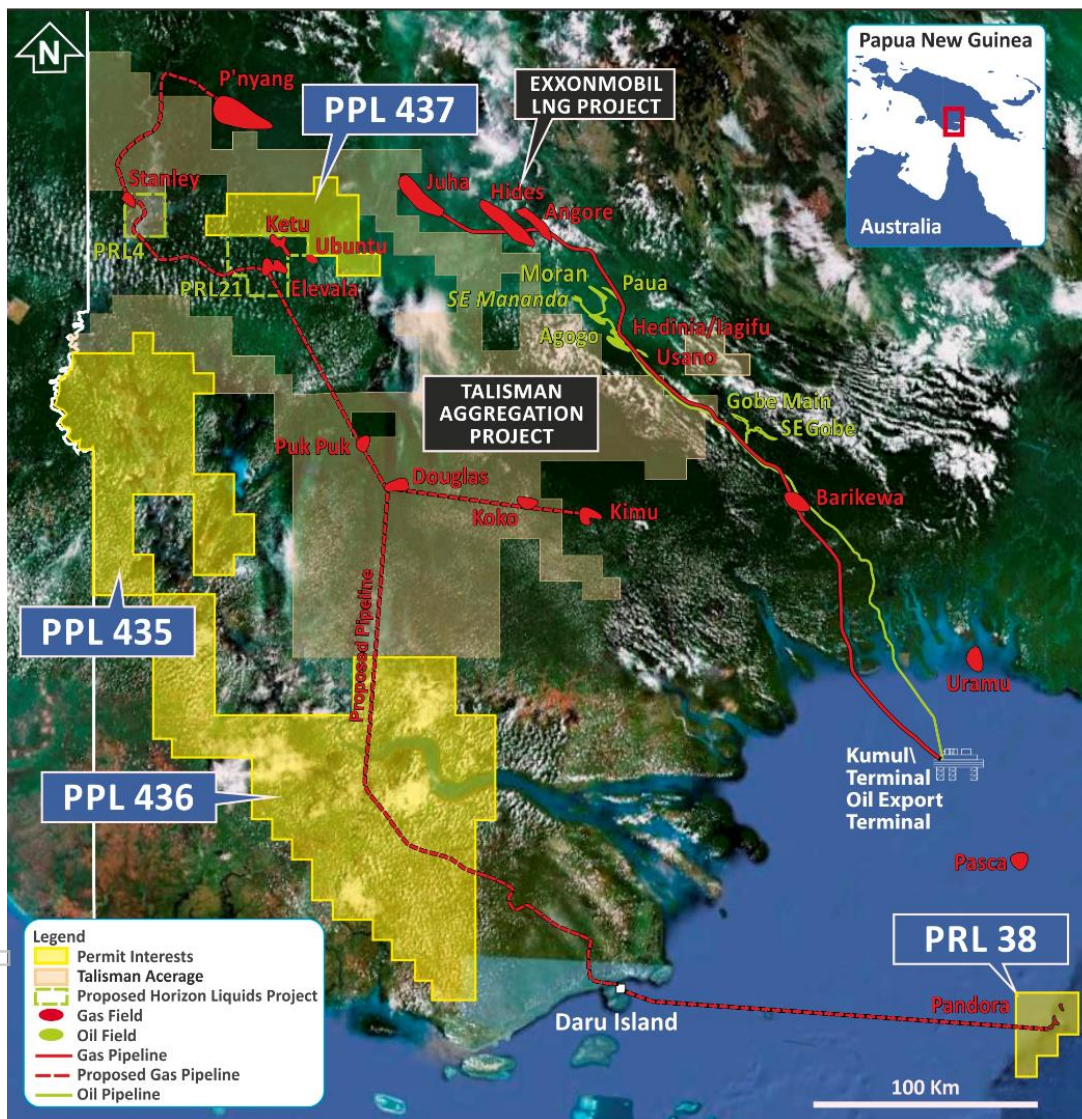
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Pandora Gas Fields

The Pandora gas fields are located approximately 200km west of Port Moresby in the Gulf of Papua and comprise two discoveries at a water depth of approximately 110m. The Pandora A structure is a Miocene aged reef build up that was tested by the Pandora 1X well drilled by International Petroleum Corporation in 1988. The well encountered gas at 1,392 m TVD and a potential gas water contact at 1,669m TVD indicating a 278m gas column. The gas leg in the well was tested and flowed dry gas at 57 mmscfd.

Figure 1: Location of PRL38 in relation to Cott's existing Licenses



The Pandora B structure was tested by the Pandora B-1X well in 1992 by IPC and was also a gas discovery. The top reservoir was encountered at 1,559 m TVD and the well drilled through the limestone reservoir interval with partial returns and zones of total losses. Interpretation of cased hole logs show a potential gas water contact at 1,669 m TVD and a gas column of approximately 110m. The gas leg was tested and flowed dry gas at 43.1 mmscfd.

The carbonate geology and excellent flow rates provide confidence that the reservoirs can be produced economically and will therefore be of great value as either a stand-alone project or an aggregated development.



In 2008, the holders of the previous PRL1 license acquired over 500 km² of 3D seismic which enabled the parties to develop contingent resource estimates. The joint venture will seek access to this data from the Department of Petroleum and Energy and, once available, the data will be evaluated by the joint venture to facilitate a comprehensive resource estimate which is expected to produce a number of additional prospects for further evaluation.

During the first 12 months, the joint venture intends to aggregate and review additional technical information including the aforementioned 3D seismic data with a view to confirming and, potentially, upgrading the petroleum resource. The joint venture will also undertake development and commercialisation studies that will consider emerging gas technologies such as mid-scale FLNG and investigate potential markets for the gas.

Work Commitments

The following table summarises the gross work commitments for the license:

PRL38 – Firm and Contingent Work Commitments		
License Period	Activities	Expenditure (US\$m)
Years 1-3	Firm <ul style="list-style-type: none"> • Development studies (including H₂S treatment) for aggregation with other gas discoveries • Domestic gas commercialisation studies • Geological and Geophysical prospectivity studies 	2.0
	Contingent upon the success of the work program <ul style="list-style-type: none"> • Development studies for domestic gas supply 	1.0
Years 4-5	Firm <ul style="list-style-type: none"> • Engineering and environmental studies 	1.0
	Contingent upon confirming an economic development exists, proceed with: <ul style="list-style-type: none"> • Appraisal/ development well drilling • Front End Engineering Design commencement • Offshore environment geotechnical/geophysical surveys • Environmental impact assessment commencement 	50.0
Year 5	Firm <ul style="list-style-type: none"> • Drill one well 	45.0

Commercialisation Options

Cott and the joint venturers will investigate a range of commercialisation options and these studies will comprise part of the licensees' work commitments. These may include but are not limited to the following:

Stand-Alone Development

There has been major progress in the development of liquefaction and transport technologies making the commercialisation of regional gas reserves, such as Pandora, viable. Although much of the focus has been on Shell's Prelude FLNG vessel which is designed to produce 3.6 Mtpa LNG from 2016, two smaller projects are currently under construction and several other solutions and potential FLNG projects are at various stages of evaluation. Daewoo and Technip are currently constructing a 1.2 Mtpa Floating LNG vessel for



Petronas' Kanowit field 180km off the coast of Malaysia. This vessel is expected to commence production in 2015 and will process approximately 50 BCF of gas a year. Several other LNG carriers and engineering specialists, such as SBM, Hoegh, Golar, Exmar and Sevan Marine are also developing floating LNG solutions.

Cott believes that, with currently available technology, the Pandora gas fields are of a sufficient size to justify development as a stand-alone field. Furthermore, it is expected the joint venture will confirm the contingent resource estimate, and Cott is confident that it will be able to be increased and upgraded to reserve status.

Gas Aggregation for Export

Significant gas discoveries have been made in the foreland of the West Papuan Basin where Talisman and Horizon Oil are aiming to aggregate sufficient gas to underpin a mid-scale LNG facility at the port of Daru. Two of the largest Japanese LNG importers, Mitsubishi Corporation and Osaka Gas, have respectively farmed into Talisman and Horizon's Western Province licenses with a view to accelerating their development and diversifying their LNG supply options.

With the recent Tingu discovery in PRL 21, the volume of gas discovered in the Western Province and which could potentially be committed to an LNG facility is now approaching 4 TCF, sufficient for a 2 mtpa train. Horizon and Osaka Gas's strategic alliance provides a clear pathway to LNG commercialisation and the availability of additional uncommitted gas may enable the proponents to accelerate their final investment decision.

Domestic Gas Supply

There remains an acute shortage of gas available for the PNG domestic market with the majority of gas discoveries earmarked for LNG export. PNG's power generation capacity is largely dependent on imported oil with up to 40% of PNG Power's budget used to purchase oil. PNG's Prime Minister, Peter O' Neill has made it a strategic priority to convert some of the country's huge gas reserves into generating power to meet an expected growth in electricity demand. Currently, only 13% of PNG's population has access to mains power and the country's current installed capacity of 503 MW will not be able to meet the average peak power demand which is anticipated to grow to 1,500 MW by 2030³.

Development of the Bidding Strategy and Commercialisation Rights

Cott's bidding strategy and its plans for commercialising its interest in PRL 38 have been developed with the assistance of Hong Kong-based International Exploration Services Ltd (**IES**).

Services Agreement

Wondecla has entered a services agreement with IES for the use of its databases in preparing the licence bid and for its assistance in securing the interest in the license. Pursuant to this agreement, Cott will issue IES with 9,930,000 shares at a deemed issue price of 20 cents for the provision of these services. These shares will be subject to voluntary escrow arrangements for 6 months.

Commercialisation Rights

In consideration for IES' ongoing technical assistance, Wondecla has also granted certain commercialisation rights to IES in respect of a 25% interest in PRL38 (**Commercialisation Interest**) subject to agreed caps. In the event that Wondecla sells or transfers part or all of its interest in PRL 38 or agrees a payout value, IES

³ PNG Development Strategic Plan 2010-2030



will be entitled to receive agreed value from any transaction of the Commercialisation Interest up to a maximum of US\$1m per percentage point less costs. Wondecla will retain the proceeds of the sale of the Commercialisation Interest above this cap.

If the sale of any Commercialisation Interest is less than US\$1 million per percentage point, IES has the right to elect not to receive proceeds and retain the corresponding Commercialisation Interest.

Prior Assignment of 5% Interest

Wondecla has entered into an agreement with Kina Petroleum Ltd whereby, immediately prior to the issue of PRL38, Wondecla assigned the right to receive 5% of PRL38 to Kina. The consideration for the assignment of this right is 10,000,000 ordinary shares in Kina which will be issued to Wondecla and will be subject to voluntary escrow for a period of 6 months. This transaction does not constitute a commercialisation transaction in accordance with the Company's agreement with IES.

For clarity, the 40% interest in the licence awarded to Wondecla is post the assignment transaction with Kina.

In commenting on today's announcement, Cott Managing Director, Andrew Dimsey, states:

"This is an excellent outcome for Cott which, alongside joint venture partners Kina Petroleum, Talisman and Santos, has been granted a significant interest in a substantial gas field in PNG which has very good prospects for deliverability.

There are a number of commercialisation opportunities that are already being investigated in relation to its interest in PRL 38, and the gas is strategically positioned so that it can be aggregated with any of the current or proposed LNG projects or developed on a stand-alone basis.

Recent developments in mid-scale FLNG technology and the current demand for LNG in the Asian market indicate that a 1 Tcf resource is an optimal size for a 1-2 mtpa FLNG project."

For and on behalf of the Board,

Andrew Dimsey
Managing Director

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About Cott Oil and Gas Ltd

Cott Oil and Gas has a highly experienced management team and holds a strategically prospective suite of oil and gas opportunities across the Westralian Superbasin, which underlies Australia's northwest continental margin.

The Company's current portfolio includes:

Papua New Guinea

- 40% interest in PRL38 comprising the Pandora gas discoveries.
- PPL 437 (20%, KPL 80%) – an advanced permit adjacent to the Ketu, Elevala and Tingu wet gas discoveries.
- PPL 435 and PPL 436 which constitute large underexplored, strategic onshore acreage, held in 50/50 JV partnership with PNG specialist Kina Petroleum Limited (ASX:KPL).
- Cott's granted interests in PNG cover over 10,750km² (2.65m acres) on a net basis.

Carnarvon Basin

- Shallow drilling targets in the Rivoli gas field.

About International Exploration Services Ltd

International Exploration Services Ltd (IES) is an exploration investment company based in Hong Kong which has developed technical databases on oil and gas opportunities throughout the Asia Pacific region. Its consultants have skills that are complementary to those of Cott and include technical, financial and marketing capabilities that enable them to identify and evaluate oil and gas opportunities, develop acquisition strategies, facilitate development and create divestment and commercialisation options. Cott has been working with IES for 18 months and is reviewing a number of other projects with a view to developing a long-term alliance with IES.