



23 December 2015

Manager of Company Announcements
ASX Limited
Level 8 Exchange Plaza
2 The Esplanade
PERTH WA 6000

By E-Lodgement

Sale of Pandora Gas Field Interest

Cott Oil and Gas Ltd (ASX: CMT) (**Cott** or **Company**) advises that it has entered into a full-form, binding Sale and Purchase Agreement (**SPA**) with Twinza Oil (PDA) Ltd (**Buyer**) for the sale of its 40% interest in PRL38 (**Pandora Gas Field** or **PRL38**), which is held by its wholly owned subsidiary, Cott Oil and Gas (PNG) Ltd (**Cott PNG**).

Depending on the receipt of the appropriate regulatory consents, the sale of the Company's interest in PRL38 will be implemented by either:

- (a) the sale of 100% of the shares in Cott PNG; or
- (b) the sale of Cott PNG 's license interest,

(the **Disposal**).

The Buyer is a wholly-owned subsidiary of Twinza Oil Ltd (**Twinza**), an Australian upstream exploration company which holds 90% of the Pasca wet gas discovery in the Gulf of Papua.

Consideration

Under the SPA the Buyer is to pay a total consideration of A\$8m cash in exchange for:

- i. the direct transfer of Cott PNG's 40% interest in PRL 38 (**Asset Sale**); or
- ii. the transfer of 100% of the shares in Cott PNG (**Share Sale**).

The consideration is identical in either alternative, and it is to be paid on a staged basis (subject to certain post completion adjustments) as set out below:

- (a) First payment of A\$2m on shareholder approval of the Disposal (**Shareholder Approval**);
- (b) Second payment of A\$2m to be paid on 30 June 2016; and
- (c) Final payment of A\$4m to be paid on 31 December 2016.

BOARD & MANAGEMENT

Mr Stephen Dennis
NON-EXECUTIVE CHAIRMAN

Mr Andrew Dimsey
NON-EXECUTIVE DIRECTOR

Mr David Bradley
NON-EXECUTIVE DIRECTOR

Ms Sarah Smith
COMPANY SECRETARY

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ASX CODE

CMT

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Commercialisation Rights and Net Settlement Proceeds

The allocation of the proceeds from the Disposal is subject to certain commercialisation arrangements with International Exploration Services Ltd (IES) which were announced in December 2013 and which apply in the event of Cott commercialising up to 25 percentage points of PRL 38.

On 27 October 2014, Cott announced that it was reducing IES' commercialization interests in PRL38 from 25% to 23.3% by paying IES the sum of A\$1.66m. Cott and IES have agreed to cancel this transaction, resulting in an adjustment of \$1.66m to be made in favour of Cott in exchange for IES' commercialization interests reverting back to 25%. This cancellation will take effect on the date of Shareholder Approval for the Disposal.

The consideration from the Disposal under the SPA will therefore be shared by Cott and IES in accordance with their original commercialisation interests, adjusted for the parties' respective share of certain payables related to PRL 38. The following table shows the schedule of payments that the Buyer will make to Cottesloe and the amount that will be allocated to IES (subject to certain post completion adjustments):

Payment received by Cott under SPA	Amount to be paid to IES by Cott	Amount retained by Cott
First Payment (\$2,000,000)	NIL	\$2,000,000
Second Payment (\$2,000,000)	\$500,000	\$1,500,000
Final Payment (\$4,000,000)	\$2,216,500	\$1,783,500
Total	\$2,723,762	\$5,276,238

After discharging the remaining liabilities of Cott PNG, Cott expects to retain the net proceeds from the Disposal of approximately \$4.3 million following receipt of all consideration payments by the Buyer.

Conditions Precedent

Completion is subject to a number of conditions precedent, including:

Shareholder Approval

As the Company's interest in PRL 38 is its main undertaking, the Disposal is subject to Shareholder Approval. Cott anticipates dispatching a Notice of Meeting to shareholders shortly with the shareholder meeting expected to take place in early February, 2016.

Other

The SPA also contains a number of other customary conditions precedent such as obtaining all regulatory approvals and there being no material adverse change to Cott PNG.

Completion will occur once all conditions precedent under the SPA have been satisfied or waived, and will occur no later than June 30, 2016, irrespective of whether the Disposal occurs by way of an Asset Sale or Share Sale.



Warranties

Under the terms of the SPA, Cott has also agreed to provide certain warranties and indemnities.

Parent Company Guarantee and Call Option

Being the parent company of the Buyer, Twinza has provided a parent company guarantee, guaranteeing the Buyer's performance under the SPA. In addition, if the Buyer fails to make a payment under the SPA, then Cottesloe has the option to buy back a proportion of Cott PNG's participating interest in PRL38 equal to the proportion of the total consideration which remains unpaid at a nominal price.

Strategy and Outlook

The Board's decision to sell its interest in the Pandora Gas Field is based on the reality that the future financial commitments for PRL 38 are likely to be significant, and also beyond the capacity of a company of Cott's size to support as the holder of the largest interest in the permit. The sale of Pandora will result in Cott having exited all of its interests in PNG. The Board intends to commence the process of evaluating new business opportunities following completion of this transaction. More detail on the Company's future strategy will be provided in due course.

For and on behalf of the Board,

Stephen Dennis
Chairman