

22 September 2014

Manager of Company Announcements  
ASX Limited  
Level 6, 20 Bridge Street  
SYDNEY NSW 2000

## By E-Lodgement

### DIVESTMENT OF GALOC PRODUCTION COMPANY WLL

#### Highlights:

- **Sale of Galoc Production Company WLL, valuing interest in Galoc oil field at US\$101.4 million**
- **Proceeds of sale to fund:**
  - **All exploration activities for two years**
  - **Proposed capital return to shareholders of A\$0.06 per share**

#### Transaction Outline

Otto Energy Limited (**Otto**) (ASX: OEL) has executed a sale and purchase agreement (**SPA**) to divest 100% of the shares in Galoc Production Company WLL (**GPC**), the holder of Otto's 33% interest in the Galoc oil field located in Service Contract 14C (**Galoc Interest**), to Risco Energy Investments Pte Ltd (**Risco**), a Singapore-based energy investment company.

Under the SPA, Risco has agreed to pay Otto US\$101.4 million as at 1 July 2014. Risco has already paid a US\$10.14m deposit and will assume all production rights and liabilities associated with the Galoc Interest (including abandonment costs) with effect from 1 July 2014.

Completion of the transaction is conditional on Otto shareholder approval. Otto will issue a Notice of Meeting seeking shareholder approval for the transaction in due course, with the shareholder General Meeting expected to be held no later than December 2014. For reasons of good governance, the Otto Board has decided the meeting materials will include a report from an independent expert on the divestment of the Galoc Interest.

The Directors of Otto believe the transaction represents an outstanding opportunity to maximise and monetise the inherent value of the Galoc Interest after the successful completion of the Galoc Phase II expansion. The Directors of Otto unanimously recommend the transaction to Otto shareholders, in the absence of a superior proposal.

### OTTO AT A GLANCE

- ASX-listed oil and gas company with a strategy to grow an integrated petroleum business through high-impact exploration
- Focused on South East Asia and East Africa
- Aim to convert exploration success into production

### COMPANY OFFICERS

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|------------------|-------------------|
| Rick Crabb       | Chairman          |
| Ian MacIver      | Director          |
| Rufino Bomasang  | Director          |
| John Jetter      | Director          |
| Ian Boserio      | Director          |
| Matthew Allen    | CEO               |
| Craig Hasson     | CFO               |
| Scott Blenkinsop | Company Secretary |

### **Otto's Strategy Update**

The divestment will allow Otto to focus on executing the highly prospective exploration program in onshore East Africa and SC55 whilst at the same time providing the financial strength to fund an expansion of Otto's acreage position in onshore East Africa which is the focus of management's new business initiatives.

Assuming the conditions to completion of the transaction (including shareholder approval) are satisfied, the net proceeds from completion of the divestment, will be utilised as follows:

- Fully fund the company's exploration, new business development and working capital activities for two years; and
- Consistent with Otto's commitment to deliver maximum value to shareholders, Otto proposes to pay a capital return to shareholders of \$0.06 per share.

It is anticipated that the proposed capital return will be paid to shareholders in Q4 2014 or early Q1 2015, following completion of the GPC sale, receipt of a ruling from the Australian Tax Office (ATO) and shareholder approval. Otto will request an ATO Class Ruling to confirm the tax implications for shareholders and will release details of the tax implications once the Class Ruling is received.

### **Comments**

Otto Chief Executive Officer, Matthew Allen, said, "The divestment of the Galoc Interest on such favourable terms is an excellent result for Otto and is consistent with the focus on unlocking value for shareholders. Prior to the divestment, the underlying value of the Galoc Interest was not being adequately reflected in Otto's share price. Proceeds from the sale will allow Otto to fund its exploration activities for the next two years and pay a proposed capital return to shareholders."

Otto's Chairman, Rick Crabb said: "The Board has carefully considered where the asset is currently positioned in the life-cycle of an oil field, as well as the possible future risks and rewards of developing any identified field/near-field upside that could offset naturally declining production rates. The Board determined that a divestment now was in the best interests of shareholders.

Otto has a clear strategy to create value for shareholders. The ability to monetise a key asset through the GPC sale and deliver a significant capital return to shareholders whilst at the same time funding a highly prospective exploration program demonstrates this commitment to creating shareholder value."

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### **Who is Risco?**

Risco is a Singapore incorporated company focused on upstream oil and gas in ASEAN. The management team was formed in 2010 and has significant collective experience of managing oil and gas assets in Asia, Australia and the USA. Risco's direct and indirect participation in oil and gas producing assets has spanned South Texas, Offshore Southeast Sumatra and Northwest Java, East Kalimantan, North Sumatra, Seram Island and onshore Central and South Sumatra, as well as offshore Palawan, Philippines. The Risco team historically partnered Otto in 2011 to help us secure the operatorship of Galoc from Vitol. Risco's team played an important role in helping deliver reserve and production enhancements at Galoc prior to its exit in 2013. Risco is also a 54% shareholder in ASX listed Lion Energy (LIO AU). Read more at [www.riscoenergy.com](http://www.riscoenergy.com).