

11 November 2014

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

## By E-Lodgement

### NOTICE OF GENERAL MEETING – GALOC DIVESTMENT

A General Meeting will be held on Tuesday, 16 December 2014 at the University Club of Western Australia, Seminar Room 1, Hackett Drive, Crawley, Western Australia at 10.00am.

The purpose of the General Meeting is to seek Shareholder approval for the proposed divestment of the Galoc Production Company W.L.L. (GPC). GPC is the holder of Otto Energy's 33% interest in the Galoc Oil Field offshore Philippines.

The Notice of Meeting, Explanatory Memorandum and Proxy Form together with a letter from the Chairman follow this announcement.

Personalised versions of these documents will be sent to Shareholders by Friday 14 November 2014.

Yours faithfully

**Matthew Allen**  
CEO

### OTTO AT A GLANCE

- ASX-listed oil and gas company with a strategy to grow its oil and gas business across exploration, development and production
- Focused on South East Asia and East Africa
- Operator of the producing Galoc oil field in the Philippines, which provides cashflow

### COMPANY OFFICERS

Rick Crabb	Chairman
Ian Macliver	Director
Rufino Bomasang	Director
John Jetter	Director
Ian Boserio	Director
Matthew Allen	CEO
Craig Hasson	CFO
Scott Blenkinsop	Chief Legal Counsel Company Secretary

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**11 November 2014**

**Dear Shareholder,**

**Subject: General Meeting – Divestment of Galoc Production Company**

I am pleased to invite you to a General Meeting of Otto Energy Limited (**Otto** or the **Company**), to be held at University Club of Western Australia, Seminar Room 1, Hackett Drive, Crawley, Western Australia, commencing at 10:00am on 16 December 2014.

The purpose of the General Meeting is to seek Shareholder approval for the proposed divestment of the Galoc Production Company W.L.L. (**GPC**) to Risco Energy Investments (Philippines) Pte Ltd (**Risco**) (the **Proposed Transaction**).

As announced on 22<sup>nd</sup> September 2014, Otto has agreed to sell 100% of the shares in GPC, the holder of Otto's 33% interest in the Galoc Oil Field located in Service Contract 14C offshore Philippines, to Risco for a headline cash consideration of US\$101.4 million as at 1 July 2014.

The Proposed Transaction represents an excellent opportunity for Otto to maximise and monetise the value of the Galoc Oil Field interest and eliminate future risks to cashflow generation.

The Proposed Transaction will establish a strong financial base to enable the Company to fully fund its exploration activities for the next two years over its highly prospective exploration acreage and prospects in East Africa, SC 55 and the expansion of the Company's asset base in East Africa through the acquisition of additional acreage.

The Company will provide a full update on the Company's assets at the General Meeting.

In addition, and in line with the Company's commitment to deliver the maximum value to shareholders, the Company proposes to pay a capital return of AUD\$0.06 per share to Shareholders, utilising approximately AUD\$69.3 million from the proceeds of the Proposed Transaction. The capital return is subject to a Class Ruling from the Australian Taxation Office, final determination by the Directors and Shareholder approval. It is anticipated Shareholder approval to the proposed capital return will be sought in the first quarter of 2015 and the capital return made within two weeks of Shareholder approval.

In connection with assessing the merits of the Proposed Transaction, PricewaterhouseCoopers Securities Ltd (**PwC**) was engaged on 26 September 2014 to prepare an independent expert's report for inclusion in the Notice of Meeting materials.

A key part of the independent experts report is an independent technical expert report. Based on information recently provided to PwC, it advised it is not satisfied as to the independence of the technical expert. PwC is of the view that due to the lack of independence of the technical expert, the independent expert's report would not qualify as such in accordance with the ASIC Regulatory Guideline 112.

For the reasons set out above and in the Explanatory Statement, the independent expert was not able to finalise its report as an independent expert report in sufficient time to provide a copy to Shareholders with the Notice of Meeting. In these circumstances, the Directors of your Company considered that it was in the best interests of shareholders to proceed with the General Meeting without an independent expert's report.

In lieu of an independent experts report, the Directors considered it appropriate to commission PwC to prepare a valuation of the Galoc Interest for the benefit of the Directors. The Directors have made their recommendation having regard to that valuation assessment as well as based on their own extensive experience and the other information available to them, as noted in the Explanatory Statement. The Directors believe that even without an independent expert's report, Shareholders have an appropriate and adequate level of information to assess the merits of the Proposed Transaction and decide how to vote.

The Directors of your Company are of the view that, in terms of risk and reward, the Proposed Transaction is in the best interests of Shareholders and recommend, in the absence of a superior proposal, Shareholders vote in favour of the Resolution approving the Proposed Transaction.

Following this letter is the Notice of Meeting and an Explanatory Statement in relation to the proposed Resolution.

Thank you for your ongoing support, and we look forward to seeing you at the General Meeting.

Yours Sincerely,

A handwritten signature in black ink, appearing to read "Rick Crabb".

**Rick Crabb**  
**Chairman**



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**OTTO ENERGY LIMITED**  
**ABN 56 107 555 046**

**NOTICE OF GENERAL MEETING**

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**TIME:** 10.00am (WST)

**DATE:** 16 December 2014

**PLACE:** University Club of Western Australia  
Seminar Room 1  
Hackett Drive,  
Crawley Western Australia

**This Notice of General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.**

**Should you wish to discuss the matters in this Notice of General Meeting please do not hesitate to contact the Company Secretary on (08) 6467 8800.**

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**TIME AND PLACE OF MEETING AND HOW TO VOTE**

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**VENUE**

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The meeting of the Shareholders of Otto Energy Limited which this Notice of General Meeting relates to will be held at 10.00am (WST) on 16 December 2014 at:

University Club of Western Australia  
Seminar Room 1  
Hackett Drive,  
Crawley, Western Australia

**YOUR VOTE IS IMPORTANT**

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The business of the General Meeting affects your shareholding and your vote is important.

**VOTING IN PERSON**

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To vote in person, attend the General Meeting on the date and at the place set out above.

**VOTING BY PROXY OR DIRECTLY ONLINE**

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To vote by proxy, please complete and sign the Proxy Form enclosed with this Notice of Meeting as soon as possible and either:

- (a) send the Proxy Form by post to the Company's share registry Link Market Services, Locked Bag A14, Sydney South, NSW 1235; or
- (b) fax your Proxy Form to the Company's share registry on (+612) 9287 0309.

You may also register your voting instructions electronically by visiting the Company's share registry website [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) Select 'Investor Login' and enter the holding details as shown on the enclosed Proxy Form. Select the 'Voting' tab and follow the prompts.

To be valid, your proxy form or electronic voting instructions must be received by 10.00am (WST) on 14 December 2014.

**Proxy forms or electronic voting instructions received later than this time will be invalid.**

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## NOTICE OF MEETING

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Notice is given that a General Meeting of Shareholders of Otto Energy Limited will be held at the University Club of Western Australia, Hackett Drive, Crawley, Western Australia at 10.00am (WST) on 16 December 2014 (**Meeting**).

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders on 14 December 2014 at 10.00am (WST).

Capitalised terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the glossary of the Explanatory Statement.

## AGENDA

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The Explanatory Statement to this Notice of Meeting describes the matters to be considered at the Meeting.

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### RESOLUTION - APPROVAL OF SALE OF GALOC PRODUCTION COMPANY W.L.L.

To consider, and if thought fit, to pass, with or without amendment, the following resolution as **an ordinary resolution**:

*"That, for the purposes of Listing Rule 11.2, Article 32 of the Company's Constitution and for all other purposes, approval is given for the sale of all of the shares in the capital of Galoc Production Company W.L.L. on the terms and conditions set out in the Sale and Purchase Agreement as summarised in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast on the Resolution by a party to the Proposed Transaction or a person who might obtain a benefit if the Resolution is passed (except a benefit solely in their capacity as a holder of Shares) and any Associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**No independent expert's report:** For the reasons set out in the Explanatory Statement, the Directors have not obtained an independent expert's report and consider the Explanatory Statement contains all of the information reasonably necessary for Shareholders to make an informed decision about the Proposed Transaction. Shareholders should refer to the Explanatory Statement attached to this Notice of Meeting.

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**DATED: 11 NOVEMBER 2014**

**BY ORDER OF THE BOARD**



**MR RICK CRABB  
CHAIRMAN**

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## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting.

The purpose of this Explanatory Statement is to provide information that the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolution in the Notice of General Meeting.

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### 1. INTRODUCTION AND SUMMARY OF PROPOSED TRANSACTION

#### 1.1 Proposed Transaction

On 22 September 2014, the Company announced the execution of a Sale and Purchase Agreement with Risco Energy for the sale of all of the shares in Galoc Production Company W.L.L. (**GPC**), being the holder of a 33% working interest in SC-14C, Galoc Block, Philippines (**Galoc Interest**), for the headline consideration of US\$101.4 million (approximately AUD\$117.59 as at 11 November 2014) (**Proposed Transaction**).

Risco Energy is a Singapore-based upstream energy investment company with a focus on oil and gas production opportunities in South-East Asia.

Closing of the Proposed Transaction is subject to the satisfaction of a number of conditions, including the approval of the Resolution by Shareholders.

In addition, consistent with the Company's commitment to deliver maximum value to Shareholders, the Company proposes to pay a capital return to Shareholders of AUD\$0.06 per Share, utilising approximately AUD\$69.3 million from the proceeds of the Proposed Transaction. Shareholders will likely be asked to approve this capital return in the first quarter of 2015, following clarification of the tax treatment by way of a Class Ruling from the Australian Taxation Office (**ATO**).

#### 1.2 Summary of the Sale and Purchase Agreement

Pursuant to the Sale and Purchase Agreement, Risco Energy will acquire all of the shares in GPC. GPC owns the Galoc Interest. The consideration payable by Risco Energy under the Sale and Purchase Agreement is US\$101.4million cash, based on a 1 July 2014 effective date (**Economic Date**) on a cash-free / debt-free basis, with Risco Energy assuming production rights and liabilities associated with the Galoc Interest (including abandonment costs) with effect from the Economic Date.

The principal terms of the Sale and Purchase Agreement are described in Schedule 1.

#### 1.3 The Resolution

To undertake the Proposed Transaction, the Company is seeking approval for the disposal of all of the shares in GPC for the purposes of Listing Rule 11.2 and Article 32 of the Company's Constitution on the basis that the sale of GPC, and indirectly the Galoc Interest, comprises the disposal of the Company's main undertaking.

#### 1.4 Financial effect of the Proposed Transaction

The impact of the Proposed Transaction on the Company's balance sheet is set out in the pro forma Statement of Financial Position below.

The Proposed Transaction will have no impact on the capital structure of the Company.

**Statement of Financial Position: Otto Energy Limited and its controlled entities as at 30 June 2014**

	<b>Audited Consolidated US\$'000</b>	<b>Adjustments US\$'000</b>	<b>Pro-forma Consolidated US\$'000</b>
<b>Current Assets</b>			
Cash and cash equivalents	7,735	100,829	108,564
Trade and other receivables	18	-	18
Other current assets	1,758	(921)	837
Inventories	2,941	(2,941)	-
<b>Total Current Assets</b>	<u>12,452</u>	<u>96,967</u>	<u>109,419</u>
<b>Non-Current Assets</b>			
Other assets	7,955	(7,940)	15
Property, plant and equipment	496	(153)	343
Exploration and evaluation assets	9,049	-	9,049
Oil and Gas Properties	91,460	(91,460)	-
<b>Total Non-Current Assets</b>	<u>108,960</u>	<u>(99,553)</u>	<u>9,407</u>
<b>Total Assets</b>	<u>121,412</u>	<u>(2,586)</u>	<u>118,826</u>
<b>Current Liabilities</b>			
Trade and other payables	4,755	(4,095)	660
Provisions	196	-	196
Provision of income tax payable	2,442	(2,442)	-
<b>Total Current Liabilities</b>	<u>7,393</u>	<u>(6,537)</u>	<u>856</u>
<b>Non-Current Liabilities</b>			
Deferred tax liabilities	13,935	(13,935)	-
Provisions	8,910	(8,853)	57
<b>Total Non-Current Liabilities</b>	<u>22,845</u>	<u>(22,788)</u>	<u>57</u>
<b>Total Liabilities</b>	<u>30,238</u>	<u>(29,325)</u>	<u>913</u>
<b>NET ASSETS</b>	<u>91,174</u>	<u>26,739</u>	<u>117,913</u>
<b>EQUITY</b>			
Contributed equity	131,577	-	131,577
Reserves	13,145	-	13,145
Accumulated losses	(53,548)	26,739	(26,809)
<b>TOTAL EQUITY</b>	<u>91,174</u>	<u>26,739</u>	<u>117,913</u>

**1.5 Advantages and disadvantages of the Proposed Transaction**

The Directors believe that the Proposed Transaction is in the best interests of Shareholders as:

- (a) the Proposed Transaction unlocks the value of the Galoc Interest, which was not being fully reflected in the Company's share price with the headline purchase price implying a 19% premium to the share price as at the date of execution of the Sale and Purchase Agreement;
- (b) the consideration payable represents full value for the Galoc Interest based on the Company's forward production forecast and oil price expectations;
- (c) the Proposed Transaction allows the Company to fully fund the Company's exploration, new business development and working capital activities for a further 2 years, and deliver a proposed capital return to Shareholders of AUD\$0.06 per Share;



- (d) the Proposed Transaction allows the Company to focus on executing the potential farm-out and drilling of exploration wells in the SC55 acreage, offshore Philippines, as well as the upcoming exploration program over our exciting Tanzania prospects, which are anticipated to be drilled in 2015;
- (e) there remain ongoing risks with the Galoc Interest given where the asset is currently positioned in the life-cycle of an oil field (including possible future risks (and potential rewards) of developing any identified field/near-field upside that could offset naturally declining production rates), which risks are avoided via the sale of GPC;
- (f) the Proposed Transaction and subsequent capital return (following an ATO ruling and if supported by Directors and Shareholders) provides certainty of return for Shareholders;
- (g) it provides the Company the flexibility to review a range of opportunities; and
- (h) the Proposed Transaction minimises the exposure of the Company to the risks which arise from a challenging time in the resources market and currently volatile oil price.

If the Resolution is not passed by Shareholders, either the Company or Risco Energy may terminate the Sale and Purchase Agreement.

Disadvantages of the Proposed Transaction include:

- (a) there remains the potential for further exploration or development within the Galoc oil field that may increase production or reserves. By selling the Galoc Interest at this point, neither the Company nor Shareholders will participate in these further exploration or development opportunities;
- (b) the Proposed Transaction involves the Company selling its principal and only cash generating asset, which may not be consistent with the investment objectives of all Shareholders;
- (c) there is a risk the Company may not be able to identify and complete the acquisition of other suitable investment opportunities (either at all or within a reasonable time), and in any event other uses of sale proceeds may not generate a return; and
- (d) new opportunities identified or undertaken by the Company are not guaranteed to have any less risk or deliver any greater returns than if the Company were to continue to hold its shares in GPC.

In addition, if the Proposed Transaction is not approved by Shareholders and does not proceed, the Directors consider it is possible that the Company's share price may trade at a price less than it did prior to the day on which the Proposed Transaction was announced.

## **1.6 Future activities and direction following the Proposed Transaction**

The Company's assets following the Proposed Transaction will comprise:

- (a) 93.18% interest in SC55 – a Service Contract with highly prospective exploration opportunities located offshore the Philippines in the Palawan Basin containing the Hawkeye and Cinco prospects;
- (b) 100% interest in SC73 – a Service Contract with potential exploration prospects covering acreage located offshore the Philippines in the Mindoro Basin; and
- (c) 50% interest in the exploration stage Kilosa-Kilombero and the Pangani Blocks through onshore Production Sharing Agreements in Tanzania.

The Proposed Transaction will enable the Company to focus on executing the proposed farm-out and drilling of exploration wells in the Company's SC55 acreage, offshore Philippines, as well as the upcoming exploration program for the Company's Tanzanian prospects.

In addition, the Company will consider acquisition opportunities of other exploration or development projects that it considers are consistent with its existing activities and which the Directors believe could have the potential to add value to Shareholders through exploration success.

Consistent with the Company's commitment to deliver maximum value to Shareholders, the Company proposes to pay a capital return to Shareholders of AUD\$0.06 per Share, utilising approximately AUD\$69.3 million from the proceeds of the Proposed Transaction.

### **1.7 Non-approval of Resolution**

In the event that Shareholder approval is not obtained and Closing of the Proposed Transaction does not occur, the Company will retain its investment in GPC and the Galoc Interest and continue assessing other acquisitions that suit the Company's strategic objectives.

The Company's investment in GPC and the Galoc Interest will be unaffected if the Proposed Transaction does not complete. GPC will continue as operator, and the Company will continue to enjoy the rewards, and bear the risks, of the Galoc Interest.

### **1.8 Independent expert's report**

Although it is not required pursuant to ASX Listing Rule 11.2, obtaining an independent expert opining that the Proposed Transaction is fair and reasonable was a condition precedent to completion under the Sale and Purchase Agreement (**Independent Expert's CP**). The Independent Expert's CP can be waived by the Company.

Shareholder approval of the Proposed Transaction is also a condition precedent.

The end date for satisfaction of the conditions precedent is 31 December 2014 (**End Date**). If all of the conditions precedent are not satisfied by the End Date, either Risco or the Company may terminate the SPA.

In connection with satisfaction of the Independent Experts CP, PricewaterhouseCoopers Securities Ltd (**PwC**) was engaged on 26 September 2014 to prepare an independent expert's report for inclusion in the Notice of Meeting materials. A key part of the independent experts report is an independent technical expert report. Based on information recently provided to PwC, it advised it is not satisfied as to the independence of the technical expert. PwC is of the view that due to the lack of independence of the technical expert, the independent expert's report would not qualify as such in accordance with the ASIC Regulatory Guideline 112 (**Regulatory Guideline**).

To complete and issue the independent expert's report, either a peer review of the current technical report would need to have been completed by a new technical expert or a new technical expert would need to have prepared, starting afresh, its own complete report.

The Directors are of the view that neither of these options would have resulted in an independent expert's report being obtained in sufficient time to include it in the Notice of Meeting materials for a Shareholder meeting prior to the End Date.

It is important to note the Company and the Directors have no basis for considering, and do not consider, the current technical expert report is not the genuine opinion of the technical expert. Whilst the technical expert may not be "independent" within the meaning of the Regulatory Guideline, there is nothing to suggest the technical expert has been unduly influenced by conflict or is compromised.

The Directors are cognisant of their duties to provide Shareholders with an appropriate level of disclosure to ensure Shareholders have all the information needed to make an informed decision as to whether to vote in favour of the Proposed Transaction.

The Directors considered whether it would be appropriate to approach Risco to seek an extension to the End Date to enable an independent expert's report to be completed.

The Company did not approach Risco to extend the End Date as:

- (a) the Directors were concerned that any requested extension of the End Date may potentially compromise or delay completion of the Proposed Transaction;
- (b) the Directors unanimously concluded that based on the information provided to the Directors, and the matters set out in this section 1.8, an independent expert could not form a better view on the merits of the Proposed Transaction than the Directors; and
- (c) whilst the Directors' preference would have been to provide Shareholders with an independent expert's report, it is not required by ASX Listing Rule 11.2 and more importantly, the Directors believe that even without an independent expert's report, Shareholders have an appropriate and adequate level of information to assess the merits of the Proposed Transaction and decide how to vote.

Therefore, the Directors unanimously concluded that it was in the best interests of Shareholders to waive the Independent Expert CP and proceed to this Meeting without an independent expert's report.

In lieu of an independent experts report, the Directors considered it appropriate to commission PwC to prepare a valuation of the Galoc Interest for the Director's benefit.

In forming their conclusion and recommending the Proposed Transaction to Shareholders, the Directors have considered that valuation assessment.

## **1.9 Indicative timetable**

If the Resolution is approved, Closing of the Proposed Transaction is expected to occur within 2 weeks of the date of the Meeting.

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## **2. RESOLUTION - APPROVAL OF THE SALE OF GPC**

The Resolution seeks Shareholder approval for the purposes of Listing Rule 11.2, Article 32 of the Company's Constitution and for all other purposes, for the sale of all of the shares in GPC, being the holder of the Galoc Interest.

### **2.1 Listing Rule 11.2 and Article 32**

Listing Rule 11.2 provides that if a company is undertaking a significant change that involves that company disposing of its main undertaking, then the company must obtain the approval of its shareholders and otherwise comply with the requirements of ASX.

In addition, article 32 of the Company's Constitution requires any sale or disposal of the Company main undertaking to be conditional upon approval by an ordinary resolution of Shareholders.

### **2.2 Directors' interests and recommendation**

No Director of the Company has any direct interest in the Resolution, other than in his capacity as a Shareholder.

After due consideration of the advantages and disadvantages set out in this Explanatory Statement, the valuation provided by PricewaterhouseCoopers Securities Ltd, their own expertise and the information available to them, the Directors recommend that, in the absence of a superior proposal, Shareholders vote in favour of the Resolution.

## **2.3 Voting Exclusion Statement**

In accordance with Listing Rules 11.2 and 14.11, the Company will disregard any votes cast on the Resolution by a party to the Proposed Transaction or a person who might obtain a benefit if the Resolution is passed (except a benefit solely in their capacity as a holder of Shares) and any Associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

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## **RESPONSIBILITY FOR INFORMATION**

The information concerning the Company contained in this Explanatory Statement, including information as to the views and recommendations of the Directors, has been prepared by the Company and is the responsibility of the Company.

The Explanatory Statement does not take into account the individual investment objectives, financial situation and particular needs of individual Shareholders. If you are in doubt as to what you should do you should consult your legal, financial or professional adviser prior to voting.

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## GLOSSARY

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**Associate** has the meaning given to that term in section 11 and sections 13 to 17 of the Corporations Act.

**ASX** means ASX Limited.

**Company** or **Otto Energy** means Otto Energy Limited (ABN 56 107 555 046).

**Closing** means completion of the sale and purchase of the Sale Shares in accordance with the terms of the Sale and Purchase Agreement.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Directors** mean the directors of the Company.

**Explanatory Statement** means this explanatory statement to the Notice of Meeting.

**Galoc Interest** means a 33% working interest in SC-14C (Galoc Block, Philippines).

**GPC** means Galoc Production Company W.L.L.

**Listing Rules** means the official listing rules of ASX, as amended from time to time.

**Meeting** means the general meeting of Shareholders convened by the Notice of Meeting, or any adjournment thereof.

**Notice of Meeting** means the notice of meeting which forms part of this Explanatory Statement.

**Proposed Transaction** has the meaning given in Section 1.1.

**Related Body Corporate** has the meaning given to that term in sections 9 and 50 of the Corporations Act.

**Resolution** means the resolution set out in the Notice of Meeting.

**Risco Energy** means Risco Energy Investments (Philippines) Pte Ltd.

**Sale and Purchase Agreement** means the sale and purchase agreement between the Company, Risco Energy and Risco Energy Investments Pte. Ltd dated *[insert]*.

**Sale Shares** means all of the issued capital of GPC.

**Section** means a section of this Explanatory Statement.

**Share** means a fully paid ordinary share in the issued capital of the Company.

**Shareholder** means a holder of Shares.

**WST** means Western Standard Time.

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## **Schedule 1 - Material Terms of the Sale and Purchase Agreement**

The Company, Risco Energy and Risco Energy Investments Pte. Ltd. announced the execution of the Sale and Purchase Agreement on 22 September 2014 in relation to the sale by the Company of the Sale Shares to Risco Energy.

The material terms of the Sale and Purchase Agreement are as follows:

### **1. Conditions precedent**

Completion under the Sale and Purchase Agreement is conditional on:

- (a) the Resolution being approved by Shareholders;
- (b) legally binding arrangements for the release of the Company under the FPSO parent company guarantee; and
- (c) the independent expert concluding that the Proposed Transaction is fair and reasonable.

### **2. Sale and purchase**

The Company has agreed to sell, and Risco Energy has agreed to buy, the Sale Shares, in consideration for US\$101.4 million.

The purchase price is subject to adjustment for certain payments to and from GPC between the Economic Date and Closing. An adjustment may also be made if figures for GPC working capital and net GPC payments that were assumed for the purposes of determining the headline purchase price cannot be validated post-Closing.

### **3. Title and risk**

The Sale and Purchase Agreement is prepared on the basis that Risco Energy will carry the financial risk and reward of the Galoc Interest on and from the Economic Date.

Risk in the Sale Shares (and this includes risk with respect to the Galoc Interest, the operations, reserves, regulatory risk, tax risks, FPSO, equipment and any other assets held by GPC) passes to Risco Energy on and from the Economic Date, subject to Closing and subject to any risks that are specifically allocated to the Company such as through the warranty regime. All liabilities of GPC will be assumed by Risco Energy on the Economic Date, subject to Closing.

### **4. Warranties and liability limitation**

The Sale and Purchase Agreement contains warranties and representations on behalf of the parties that are customary for an agreement of this nature.

The Sale and Purchase Agreement provides for financial, time and other limits on claims against the Company.

### **5. Exclusivity**

While the Sale and Purchase Agreement remains on foot, the following restrictions operate in respect of an "alternative proposal", which is a transaction directly relating to the Galoc Interest and does not include a corporate transaction at the Company level:

- (a) no shop restrictions;
- (b) no due diligence and no access restrictions, subject to fiduciary carve outs; and

(c) the Company must promptly notify Risco Energy of any alternative proposal.

Risco has a 5 day matching right with respect to any binding alternative proposal.

## **6. Termination events**

The Sale and Purchase Agreement may only be terminated in the following circumstances:

- (a) by mutual consent;
- (b) by either party if a condition precedent is not satisfied (or waived by the Company) by the "End Date" of 31 December 2014;
- (c) by either party in certain situations of breach under the agreement;
- (d) by either party if Risco Energy does not match an alternative proposal;
- (e) by Risco Energy, if the Company enters into an agreement involving the acquisition of more than 50% of the Company's shares; and
- (f) by Risco Energy, if the Company entertains an alternative proposal by granting access to the proponent to the Company, GPC or joint operations non-public information.

## **7. Guarantee**

Risco Energy Investments Pte. Ltd. will guarantee the obligations of Risco Energy under the Sale and Purchase Agreement.

## **8. Deposit**

A deposit of U\$10.14m was paid by Risco Energy on execution of the Sale and Purchase Agreement. The Company will retain the deposit if termination of the Sale and Purchase Agreement is by mutual consent or results from a breach of the Sale and Purchase Agreement by Risco Energy.



**Otto Energy Limited**  
ABN 56 107 555 046

## LODGE YOUR VOTE



**ONLINE**

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)



**By mail:**  
Otto Energy Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia



**By fax:** +61 2 9287 0309



**All enquiries to: Telephone:** +61 1300 554 474

## PROXY FORM

I/We being a member(s) of Otto Energy Limited and entitled to attend and vote hereby appoint:

### STEP 1

### APPOINT A PROXY

☐

the Chairman  
of the Meeting  
(mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy.

Failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to vote on my/our behalf (including in accordance with the directions set out below or, if no directions have been given, to vote as the proxy sees fit, to the extent permitted by the law) at the General Meeting of the Company to be held at **10:00am (WST) on Tuesday, 16 December 2014 at University Club of Western Australia, Seminar Room 1, Hackett Drive, Crawley, Western Australia** (the Meeting) and at any postponement or adjournment of the Meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of all items of business.

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

### STEP 2

### VOTING DIRECTIONS

#### Resolution 1

Approval of Sale of Galoc Production  
Company W.L.L.

For Against Abstain\*

☐☐☐

\* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

### STEP 3

### SIGNATURE OF SHAREHOLDERS - THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Shareholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Shareholder 3 (Individual)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

**OEL PRX402**





## HOW TO COMPLETE THIS PROXY FORM

### Your Name and Address

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

### Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in Step 1. If you leave this section blank, or your named proxy does not attend the Meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the Company. A proxy may be an individual or a body corporate.

### Votes on Items of Business - Proxy Appointment

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

### Signing Instructions

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, either shareholder may sign.

**Power of Attorney:** to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

### Corporate Representatives

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

## Lodgement of a Proxy Form

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:00am (WST) on Sunday, 14 December 2014**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



**ONLINE**  [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



**by mail:**

Otto Energy Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia



**by fax:**

+61 2 9287 0309



**by hand:**

delivering it to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138.

**If you would like to attend and vote at the General Meeting, please bring this form with you.  
This will assist in registering your attendance.**