

12 December 2014

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

**By E-Lodgement**

**SUPERIOR PROPOSAL OF US\$108M AGREED FOR THE SALE OF OTTO'S INTEREST IN THE GALOC OIL FIELD**

**Highlights:**

- Superior proposal of US\$108m (~A\$130m) received from Nido Petroleum for the sale of Galoc oil field
- Represents a US\$6.6m (~A\$8.0m) increase over Risco transaction
- Risco transaction terminated
- New shareholder meeting to approve Nido transaction to be held in January 2015

**Transaction Outline**

Otto Energy Limited (**Otto**) (**ASX: OEL**) announced on 22 September 2014 it had executed a sale and purchase agreement (**Risco SPA**) to divest 100% of the shares in Galoc Production Company WLL (**GPC**) to Risco Energy Investments Pte Ltd (**Risco**) for US\$101.4m. GPC is the holder of Otto's 33% interest in the Galoc oil field (**Galoc Interest**).

Otto is pleased to announce it has now executed a superior sale and purchase agreement with Nido Petroleum Limited (**Nido: ASX:NDO**) to divest GPC for US\$108m (~A\$130m) on the same terms and conditions as the Risco SPA.

Risco has waived its right to match the Nido sale and purchase agreement (**Nido SPA**) and the Risco SPA has been terminated.

Under the Nido SPA, Nido has agreed to pay Otto US\$108m (~A\$130m) as at 1 July 2014. Nido has paid a US\$1m deposit, with a further US\$9.8 million to be paid within 10 business days. Nido will assume all production rights and liabilities associated with the Galoc Interest (including abandonment costs) with effect from 1 July 2014.

Similar to the terminated Risco transaction, completion of the Nido transaction is conditional on Otto shareholder approval. Otto will issue a Notice of Meeting seeking shareholder approval for the transaction, with a General Meeting to be held in January 2015.

**The Directors of Otto unanimously recommend the Nido 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**

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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### **Shareholder Meeting – 16 December 2014**

Otto has convened a shareholder meeting for 16 December 2014 to approve the Risco transaction. Given the Risco SPA is now terminated, Directors have withdrawn their support for this resolution, which will not be put to shareholders at the meeting and, accordingly, there will be no business to be addressed on 16 December 2014.

### **Update on Proposed Capital Return**

Otto announced on 22 September 2014 that it anticipated a proposed capital return would be paid to shareholders in late 2014 or early 2015, following completion of the Risco transaction, receipt of an Australian Tax Office (ATO) ruling, final director confirmation and shareholder approval. Any capital return to shareholders will now be distributed during Q1 2015, following completion of the Nido transaction.

Otto has requested an ATO Class Ruling to confirm the tax implications for shareholders, the details of which will be released once the ruling is received.

### **Comments**

Otto Chief Executive Officer, Matthew Allen, said, "This superior proposal is very advantageous and beneficial to Otto shareholders. It further reinforces Otto's financial robustness and ability to successfully return value to shareholders, and deliver our future exploration plans and growth strategy whilst maintaining a sound balance sheet. Otto is focussed on executing its high impact exploration programme in both the Philippines and onshore East Africa in the coming two years."

--Ends--

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

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

### 1. Conditions precedent

Completion under the Sale and Purchase Agreement is conditional on:

- (a) approval by Shareholders;
- (b) legally binding arrangements for the release of the Company under the FPSO parent company guarantee; and
- (c) Risco not exercising its right to match under the Risco SPA (Note: Risco has not elected to match the Nido transaction.)

### 2. Sale and purchase

The Company has agreed to sell, and Nido has agreed to buy, the Sale Shares, in consideration for US\$108 million.

The purchase price is subject to adjustment for certain payments to and from GPC between the Economic Date (1 July 2014) and Closing.

### 3. Title and risk

The Sale and Purchase Agreement is prepared on the basis that Nido 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 Nido 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 Nido on and from 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 Nido of any alternative proposal.

Nido 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 28 February 2015;
- (c) by either party in certain situations of breach under the agreement;
- (d) by either party if Nido does not match an alternative proposal;
- (e) by Nido, if the Company enters into an agreement involving the acquisition of more than 50% of the Company's shares; and
- (f) by Nido, if the Company entertains an alternative proposal by granting access to the proponent to the Company, GPC or joint operations non-public information.

## 7. Deposit

A deposit of US\$1m was paid by Nido on execution of the Sale and Purchase Agreement. A further US\$9.8 million will be paid within 10 business days. 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 Nido.