



20 January 2014

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

By E-Lodgement

QUARTERLY REPORT

Period Ended 31 December 2013

The Board of Cott Oil and Gas Limited (**Cott** or the **Company**) (**ASX: CMT**) is pleased to provide the following commentary and Appendix 5B for the quarter ended 31 December 2013.

December 2013 Quarter - Highlights

- **Cott granted a 40% interest in new PRL38 license which contains the 792 BCF Pandora gas fields in the Gulf of Papua**
- **Joint Venture to investigate commercialization options which may include stand-alone (FLNG) development and/or aggregation with existing projects**
- **Cott assigned 5% of its right in the licence to Kina Petroleum Ltd for 10,000,000 Kina shares which were issued on 16 January 2014**

Award of 40% Interest in PRL 38 (Pandora Gas Fields), Gulf of Papua

On 23 December 2013, the Company announced that its subsidiary, Wondecla Ltd, had 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.

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.

BOARD & MANAGEMENT

Mr Stephen Dennis
NON-EXECUTIVE CHAIRMAN

Mr Andrew Dimsey
MANAGING DIRECTOR

Mr David Bradley
NON-EXECUTIVE DIRECTOR

Ms Sarah Smith
COMPANY SECRETARY

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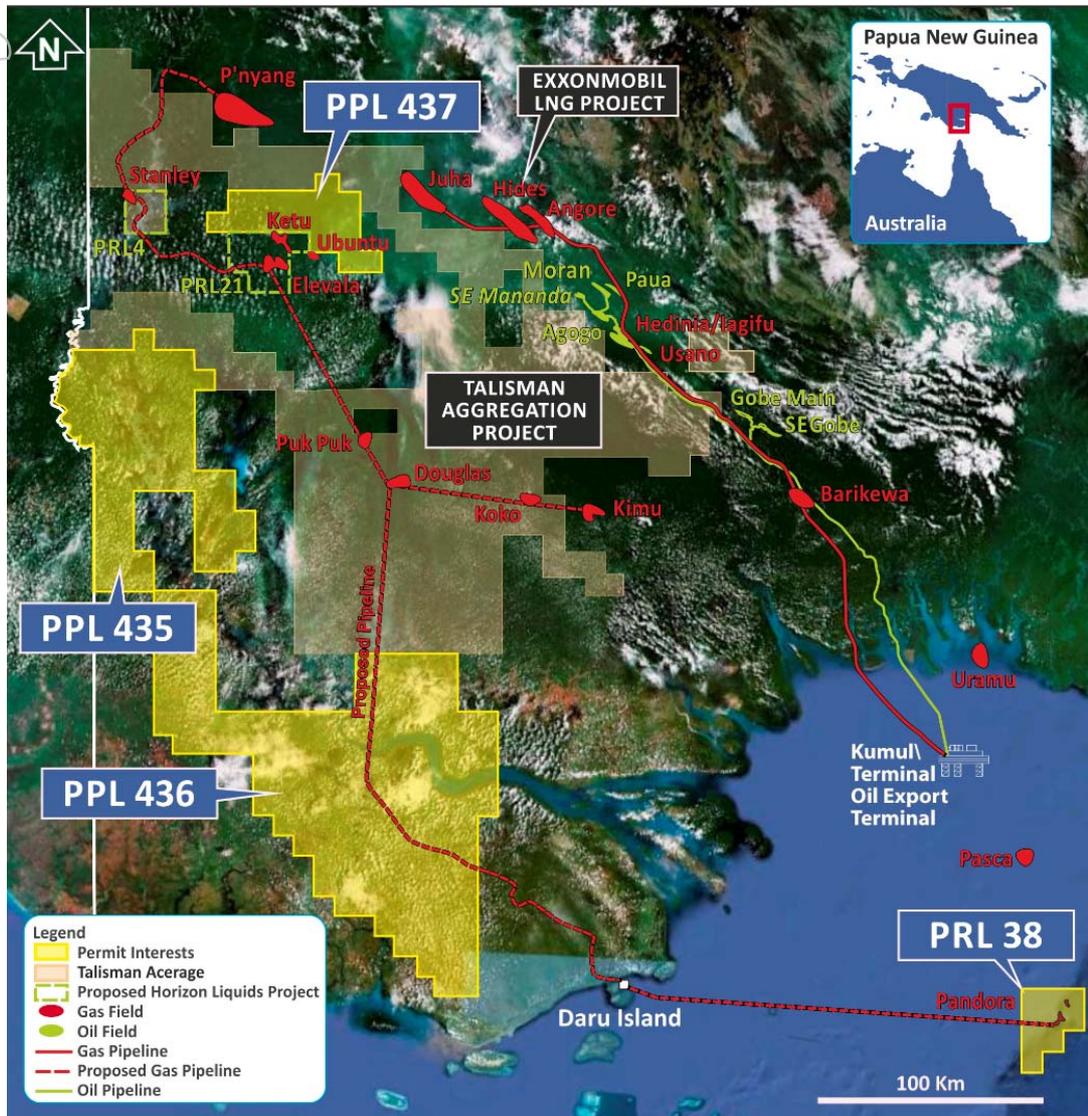
ASX CODE

CMT

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Figure 1: Location of PRL38 in relation to Western Province Developments



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 mmscf/d.

Commercialisation Options

The gas discoveries are located at a relatively shallow (<1,500m) depth and in approximately 110m of water making any future development wells relatively affordable/inexpensive. Furthermore, the carbonate geology and excellent flow rates during testing provide Cott with confidence that the reservoirs can be produced economically and will therefore be of substantial value as either a stand-alone project or an aggregated development. Potential development options that will be investigated are described below:



Stand Alone Export Development

The size of the Pandora Gas Fields, the deliverability of the gas and the strategic location close to LNG markets make PRL38 potentially suitable for development using floating LNG technology. A number of small to mid-scale FLNG solutions are being developed by consortia which include LNG shippers, topside engineering firms and shipyards with a view to providing toll liquefaction services for gas fields. Proponents include Hoegh LNG, Golar, SBM Offshore and Exmar.

Daewoo and Technip are currently constructing a 1.2 Mtpa FLNG vessel for Petronas' Kanowit field approximately 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. Petronas is also undertaking FEED for a second FLNG project which will have a capacity of 1.5 mtpa and be located in Petronas/ Murphy Oil's Block H (Rotan) off the coast of Sabah.

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 2030.

Work Program

The work program for PRL 38 comprises development and commercialization studies to the value of US\$2m (CMT: US\$800,000) In Years 1-3 and a firm commitment well in Year 5. The joint venture aims to obtain and review the technical data that is to be provided by the previous PRL 1 joint venture to the Department of Petroleum and Energy and to develop a work program thereafter.

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**) which has developed technical databases on oil and gas opportunities throughout the Asia Pacific region. Cott agreed to issue 9,930,000



shares to IES as consideration for the use of its databases and preparing its successful bid and issued these shares on 17th January 2014.

Cott has also agreed to grant certain commercialization rights to IES in respect of a 25% interest in PRL38 (Commercialisation Interest) subject to agreed caps. In the event that Cott sells or transfers part or all of its interest in PRL 38 or agrees a payout value, IES 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.

Cotts remaining 15% interest in PRL 38 is not affected by any of the arrangements agreed with IES nor any other restrictions

Assignment of 5% Interest in PRL 38 prior to Award

Cott entered into an agreement with Kina Petroleum Ltd whereby, immediately prior to the issue of PRL38, it assigned the right to receive 5% of PRL38 to Kina leaving it with a 40% interest. The consideration for the assignment of this right is 10,000,000 ordinary shares in Kina which have since been issued to Wondecla and are subject to voluntary escrow for a period of 6 months.

PPL 437 Papuan Basin Papua New Guinea (Cott, 20%)

During the quarter, the operator of PPL437, Kina Petroleum Ltd, announced that it had entered a farm-in agreement with Heritage Oil Ltd, an independent exploration and production company listed in the UK. Under the terms of the agreement, Heritage will initially become contract operator and can earn a 30% interest in PPL437 by carrying Kina through its share of 100km of seismic.

In light of this agreement, Kina and Wondecla have deferred discussions regarding the seismic program until representatives from Heritage can attend. The joint venture participants and Kina will be attending a technical meeting before the end of January 2014 at which time they expect to prioritise the prospects for seismic and agree a contracting framework.

PPL 435 and PPL 436 Papuan Basin, Papua New Guinea (Cott, 50%)

PPL 435 and 436 cover over a total of 18,436km² of the western lowland and coastal area of Papua New Guinea (PNG).

Acquisition of the airborne magnetic and gravity survey referred to in the previous quarterly report did not commence during the quarter due to delays experienced by the contractor on a previous engagement. Cott has now been advised that the survey will be acquired in the first (calendar) quarter of 2014 and will be integrated with the Company's existing database in PNG and West Papua shortly thereafter.

Joint Study in South East Papua, Indonesia (Interest 25%)

With the completion of the Joint Study, the participants are awaiting notification from the Indonesian regulators regarding the Production Sharing Contract bidding and award process.



WA-460-P Carnarvon Basin, Western Australia (Cott, 33.34%)

The WA-460P joint venture completed its Year 2 work commitments by re-processing 92km of vintage 2D seismic data as Post Stack Depth Migrated.

Subsequent Events

As indicated previously, the Company issued 9,930,000 shares on 17 January 2014 in satisfaction of a services agreement with IES. The Company's subsidiary, Wondecla Ltd, was issued with 10,000,000 fully paid ordinary shares in Kina Petroleum Ltd as consideration for the assignment of the right to a 5% interest in PRL 38.

The Company continues to evaluate new opportunities within PNG that meet its technical and commercial criteria with an emphasis on advanced prospects that complement its existing suite of assets in the PNG western foreland.

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

- PRL 38 (40%) – a 765km² license containing the Pandora Gas Fields which have a historic 2C contingent resource of 892 bcf (CMT: 320 bcf)
- PPL 437 (20%, KPL 80%) – an advanced permit adjacent to the Elevala, Ketu and Tingu 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.

The technical information on the oil and gas projects including in relation to prospective resources is based on information compiled by Mr Marc Jamet. Mr Jamet is an experienced senior oil and gas executive having worked globally over the past 30 years and has consented in writing to the inclusion of the information stated in the form and context to which it appears.

Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

Cott Oil and Gas Limited

ABN

33 160 017 390

Quarter ended ("current quarter")

31 December 2013

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(296)	(743)
(b) development	-	-
(c) production	-	-
(d) administration	(395)	(721)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	2	50
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net Operating Cash Flows	(689)	(1,414)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	(16)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	-	(16)
1.13 Total operating and investing cash flows (carried forward)	(689)	(1,430)

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Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(689)	(1,430)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Payment of deferred capital raising costs	-	-
1.19	Other (share issue costs)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(689)	(1,430)
1.20	Cash at beginning of quarter/year to date	4,126	4,867
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	3,437	3,437

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	68
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

1.2	Payments of Directors fees and remuneration	68
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Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

n/a

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

n/a

Financing facilities available

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Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,066
4.2 Development	-
4.3 Production	-
4.4 Administration	226
Total	1,292

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	3,437	4,126
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	3,437	4,126

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Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	n/a		
6.2	Interests in mining tenements acquired or increased	PRL38 Award of 40% interest in PRL 38 located in the Gulf of Papua	-	40%

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Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference +securities <i>(description)</i>			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	+Ordinary securities	66,617,183	49,213,416 (17,403,767 subject to escrow)	Fully Paid
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs			
7.5	+Convertible debt securities <i>(description)</i>			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted			
7.7	Options <i>(description and conversion factor)</i>	15,423,437 listed 4,916,666 unlisted 4,416,666 unlisted 4,416,668 unlisted	9,746,633 (5,676,804 subject to escrow)	Exercise Price 20 cents 20 cents 25 cents 30 cents Expiry Date 31 Dec 2015 31 Dec 2015 31 Dec 2015 31 Dec 2015
7.8	Issued during quarter			
7.9	Exercised during quarter			
7.10	Expired during quarter			
7.11	Debentures <i>(totals only)</i>			

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Appendix 5B
Mining exploration entity quarterly report

7.12	Unsecured notes (totals only)		
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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:
(Managing Director)

20 January 2014
Date:

ANDREW DIMSEY
Print name:

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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