

**Azonto Petroleum Limited**

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ASX Code: APY

AIM Code: AZO

**Azonto Petroleum Limited
("Azonto" or the "Company")**

**Disposal of interest in Vioco Petroleum Limited,
and
Cancellation of Admission to Trading on AIM**

The Company announces that the Company's subsidiary, Azonto Petroleum Holdings Limited (the Vendor), has entered into a conditional sale and purchase agreement (the Agreement) for the sale of the Vendor's entire shareholding in Vioco Petroleum Limited (Vioco) and certain wellhead drilling equipment in Côte d'Ivoire to Vitol E&P Ltd (the Purchaser) (the sale of the shares in Vioco and the drilling equipment, together the Disposal).

The Vendor holds 35% of the shares in Vioco, which holds an 87% working interest in, and is operator of, the CI-202 Block in Côte d'Ivoire, within which the Gazelle project is located. The Purchaser owns the remaining 65% of the shares in Vioco. A summary of the key terms of the Agreement is set out below.

The Company's interest in CI-202 Block is its main undertaking. Consequently, under ASX Listing Rule 11.2 and under AIM Rule 15, the Disposal is conditional on approval of Shareholders. A Notice of Meeting will be sent to shareholders shortly to convene an Extraordinary General Meeting to approve the Disposal.

In addition, the Directors have decided to cancel admission to trading of the Company's shares on AIM (AIM Cancellation). Further details on the AIM Cancellation are set out below.

The Board of Azonto is in unanimous agreement that the Disposal is in the best interest of all of its shareholders. It is intended to enable the Company to realise value for its interest in Block CI-202 in excess of its market capitalisation and removes significant financial obligations for which Azonto would be committed in the next 18 months. The Board believes that the Disposal will allow shareholders to retain value in the Company which, post completion will be considering new investment opportunities.

Reasons for the Disposal

In recent months, the Gazelle project has experienced cost growth, leading to delays, all against the backdrop of a wider sector environment which has become increasingly challenging. In the circumstances, the Company and the Board have engaged in an intense effort to secure a strategic solution that would result either in:

- (i) securing additional funds to ensure the further development of the Company's interests in CI-202 Block, or
- (ii) a potential sale or merger of the Company or a sale of the Company's assets.

Through this exercise, it has become increasingly clear to the Board that the combination of challenging conditions in the oil and gas sector currently, including low and volatile oil prices and weak equity market sentiment on the sector, have significantly increased the risk that the Company would not be able to secure further funds or agree one or more alternative transactions, before its existing cash resources run out.

More recently, Vioco, at the instigation of Vitol, together with its partner Petroci has engaged with the Direction Generale des Hydrocarbures in Cote d'Ivoire to explore a cluster development of Gazelle and adjacent fields in an integrated manner which would significantly increase the robustness of the gas-to-power project proposed for Gazelle. However, implementation of such a strategy would require the Company to fund an exploration well in the next 18 months on the Hippo North prospect, before an integrated project is potentially sanctioned. Furthermore, the Company would have to commit to the exploration well in October 2015.

As a consequence, and based on the information available, including the financial advice that the Company has received from its financial advisors Evercore Partners International LLP (Evercore) solely in relation to the Disposal, all of the Directors consider that the proposed Disposal is in the best interests of the Company and will recommend that Shareholders vote in favour of the Disposal.

The Directors believe that the following are the advantages of the proposed Disposal:

- (a) the Disposal will allow the Company to realise value for its interest in Block CI-202 following delay to the Gazelle Project and in the wider context of an oil and gas market which has experienced significant deterioration over the past year;
- (b) the Disposal will allow the Company to exit its ongoing expenditure obligations under the PSC, which would otherwise require the Company to spend substantial funds on exploration drilling over the next 18 months. These obligations, which would need to be committed to from October 2015, constitute expenditure which the Company currently does not have the funds to meet and which the Board feels there is a very high risk the Company will not be able to obtain before October 2015; and
- (c) the Disposal will enable the Company to consider alternative asset acquisitions that the Directors believe will add value to Shareholders.

Summary of Agreement

The key terms of the Agreement are as follows:

- (a) **Sale and Purchase:** The Vendor agrees to sell to the Purchaser its holding of 35% of the shares in Vioco and certain wellhead drilling equipment in Côte d'Ivoire owned by the Vendor.

- (b) Consideration for the sale of shares in Vioco and certain wellhead drilling equipment: In consideration for the sale of the shares in Vioco and the wellhead equipment, the Purchaser will pay to the Vendor:
- (i) US\$4,000,000 less an amount up to four hundred thousand United States Dollars (US\$400,000) of certain net liabilities related to the period before Purchaser's acquisition of 65% of Vioco in November 2013.
 - (ii) US\$1,100,000 in Consideration for the sale of certain wellhead drilling equipment currently owned by Azonto and located in Cote d'Ivoire, subject to Vioco's commitment to an exploration well, required to retain CI-202 licence.
 - (iii) upon the occurrence of a commercially viable hydrocarbon discovery in the aforementioned well, US\$2,000,000, payable within 10 business days thereof.
- (c) Conditions precedent: The sale of shares in Vioco is subject to satisfaction of certain conditions precedent prior to 21 August 2015, including:
- (i) the Company obtaining shareholder approval for the Disposal as required under the listing rules of ASX and AIM;
 - (ii) Satisfactory settlement of liabilities of Vioco relating to the period prior to 7 November 2013 including liabilities in relation to a claim by the Cote d'Ivoire Ministry of Finance in respect of withholding tax; and
 - (iii) There being no material breach of any warranty or term of the Agreement by the Vendor.
- (d) Completion of sale of shares in Vioco: Completion of the sale of shares in Vioco will occur not more than five business days after satisfaction of the conditions precedent.

A more detailed description of the Disposal terms will be included in a notice of meeting that will be sent to shareholders as soon as regulatory reviews are complete.

Financial Effect of the Disposal on the Company

A pro-forma Balance Sheet based on the Company's unaudited management accounts as at 31 May 2015 and including the effect of proceeds expected to be received at closing less principal liabilities estimates Azonto's net cash in the amount of AUD \$6.8m. This calculation excludes ongoing corporate overhead for the period from 1 June 2015. Should Vitol acquire the wellhead equipment a net increase in cash balance in the amount of AUD \$1.2m will occur in November 2015. These calculations exclude the potential future payment of USD \$2 million in the event of a commercial hydrocarbon discovery.

Investing Policy

The Directors will adopt an Investing Policy, which shall be submitted to shareholders for approval via a Notice of Meeting and which will consider other potential investment opportunities that have potential to generate shareholder return following the Disposal. The investment opportunities may not be within the resources sector.

In the event Shareholder approval for the Disposal is not obtained and completion of the Disposal is unable to occur, there is a high risk that the Company will not be able to meet its near to medium term commitments in respect of its interest in Vioco, the PSC and CI-202 Block, which would in such circumstances lead to the loss of the Company's interests in the PSC and CI-202 Block.

Cancellation of Admission to Trading on AIM

Having undertaken a review of both the advantages and disadvantages of maintaining admission on both of ASX and AIM, the Directors have decided to cancel admission of the Company's shares to trading on AIM.

In reaching this decision, the Directors have taken the following factors into account:

- a) the Company's desire to reduce ongoing costs to preserve cash whilst it pursues new opportunities; and
- b) that Shareholders will retain the ability to trade their shares on the ASX.

Following careful consideration, the Board believes that it is in the best interests of the Company and Shareholders to effect the AIM cancellation. In accordance with rule 41 of the AIM Rules, the Company has notified the London Stock Exchange of the proposed AIM cancellation and the effective date of the AIM cancellation will be 24 August 2015. The last day of trading on AIM will be 21 August 2015.

The principal effects of the proposed AIM cancellation include, amongst others:

- (a) that there will be no public stock market in the United Kingdom on which Shareholders can trade their Shares;
- (b) the Company will no longer be required to comply with the AIM Rules (including to have a nominated adviser). The Company will continue to be subject to the ASX Listing Rules; and
- (c) the Company's CREST facility will be cancelled and, although Shares will remain listed on the ASX, they will cease to be transferable through CREST. Instead, following cancellation, depository interest holdings in the Company will be transferred to the Australian based share register maintained by Computershare and an updated holding statement of the Company shares will be issued to depository interest holders.

The ASX listing will not be affected by the AIM cancellation and the Company will maintain its ASX listing and, as such, cancellation is not conditional upon shareholder consent pursuant to Rule 41 of the AIM Rules. The Company will continue to comply with all regulatory requirements for the ASX Listing.

Shareholders are recommended to speak to their brokers about the procedures (and any associated costs) for trading (or enabling the ability to trade) on the ASX to assess whether such procedures may be available to Shareholders.

Shareholders are also advised to seek advice from a stockbroker, solicitor, accountant, or other appropriate independent professional adviser authorised under the Financial Services and Markets Act 2000 (UK), as amended, if you are in the United Kingdom or, if not, from another appropriately authorised independent professional adviser in relation to your Shares.

Extraordinary General Meeting

The notice of meeting to approve *inter alia* the Disposal and the Investing Policy will be posted to shareholders as soon as regulatory reviews are complete.

Indicative timetable

The Company anticipates completion of the Disposal will occur in accordance with the following timetable:

Event	Date
Extraordinary General Meeting to approve the Disposal	Anticipated 17 August 2015
Completion of sale of shares in Vioco	Anticipated 21 August 2015
Last day of trading on AIM	21 August 2015
Cancellation of admission to trading on AIM	7.00 am on 24 August 2015
Completion of sale of wellhead drilling equipment	Anticipated 15 October 2015

The above timetable, with the exception of the cancellation of admission to trading on AIM, is indicative and is subject to change.

Azonto Petroleum Limited

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