

22 November 2010

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

By E-Lodgement

## OTTO EXPLORATION UPDATE

### Highlights:

- **SC55 Offshore Palawan Hawkeye 3D seismic firms the Hawkeye prospect to mean success volumes of 680 mmbbls (STOIIP)**
- **SC69 Offshore Visayan 2D seismic confirms the presence of Lampos and Lampos South prospects with combined mean success volumes of 292 mmbbls (STOIIP)**
- **SC51 Onshore Visayan to drill Duhat-1 well in first quarter 2011 testing the Tagnacot formation with a mid-case success volume of 76 mmbbls (STOIIP)**

Otto Energy Ltd (ASX: OEL) is pleased to provide an update on its 2010 Philippines exploration activities to investors. Otto has acquired over 2,400 km<sup>2</sup> of 3D and 760 kilometres of 2D seismic during 2010 in campaigns run in the first quarter of the year. Processing of these extensive data sets is progressing well and initial results are outlined in this update.

Initial results in Service Contract 55 Offshore Palawan are very encouraging with the delineation of the Hawkeye fold complex covering over 50km<sup>2</sup>. Given the extremely good data quality, Hawkeye has been significantly de-risked with evidence of multiple Direct Hydrocarbon Indicators.

Otto's Managing Director Paul Moore said that the results of the Philippines exploration program provide investors in Otto exposure to large equity positions in highly prospective exploration acreage. "Initial results of our seismic interpretation efforts are highly encouraging. We are maturing our key prospects in Service Contract 55 and 69 towards drilling as early as possible".

Attached to this release is a copy of the Managing Directors presentation to the Annual General Meeting held on the 22<sup>nd</sup> of November 2010 in Perth, Western Australia. Investors are encouraged to read both documents in conjunction.

Yours faithfully

**Paul Moore**  
Managing Director

### Contact:

All enquiries are to be addressed to Matthew Allen, Chief Financial Officer on +61 8 6467 8800 or email [info@ottoenergy.com](mailto:info@ottoenergy.com)

### OTTO AT A GLANCE

- ASX-listed oil and gas company with significant growth potential.
- Production from Galoc Oil Field provides cash flow.
- Edirne gas field in Turkey becomes second revenue-generating asset.
- Opportunity rich with substantial exploration prospects and leads in portfolio.

### COMPANY OFFICERS

Rick Crabb	Chairman
Paul Moore	Managing Director
Jaap Poll	Director
Ian MacIver	Director
Rufino Bomasang	Director
John Jetter	Director
Ian Boserio	Director
Matthew Allen	CFO/Coy Secretary

The Reserve and Contingent Resource estimates outlined in this announcement have been compiled by Mr Nick Pink. Mr Pink is the Senior Reservoir Engineer of Otto and a full time employee. Mr Pink has more than 12 years of relevant experience and is qualified in accordance with ASX Listing Rule 5.11. Mr Pink has consented to the form and context that this statement appears.

For personal use only



## SERVICE CONTRACT 55 OFFSHORE PALAWAN

### **Service Contract Summary:**

- OEL (through its wholly-owned subsidiary NorAsian Energy Ltd) 85% Interest and Operator
- Area 9,880 km<sup>2</sup>
- Work commitments in current sub-phase completed. Next sub-phase commences August 2011 and includes drilling of one deepwater exploration well by August 2012

### **Current Status:**

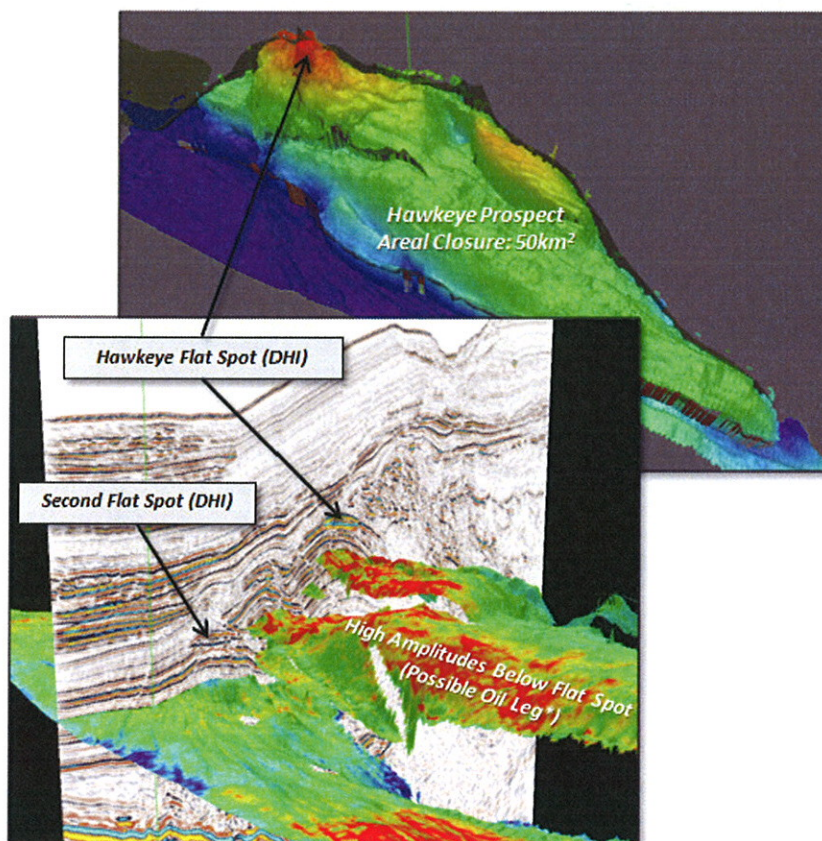
In 2010, 2,400 km<sup>2</sup> of new 3D has been acquired. Initial results are very encouraging with the delineation of the Hawkeye fold complex covering over 50sqkm. Initial volumetric estimates indicate this prospect may contain between 87 and 1,539 mmbbls Oil Initially in Place with a P50 estimate of 484 mmbbls or Gas Initially in Place of between 0.2 and 2.5 Tcf with a P50 estimate of 1.2 Tcf.

Given the extremely good data quality, Hawkeye has been significantly de-risked with evidence of multiple Direct Hydrocarbon Indicators.

Only a small portion of the new 3D has been reviewed in detail to date and the balance of the work is eagerly awaited.

Otto is focused on maturing the Hawkeye prospect to drill-ready status by the second quarter in 2011.

Otto has an existing Seismic Acquisition and Farm-in Agreement with BHP Billiton covering this Service Contract. Refer announcement made on 15<sup>th</sup> January 2010 for further details.



## SERVICE CONTRACT 69 OFFSHORE VISAYAS

### **Service Contract Summary:**

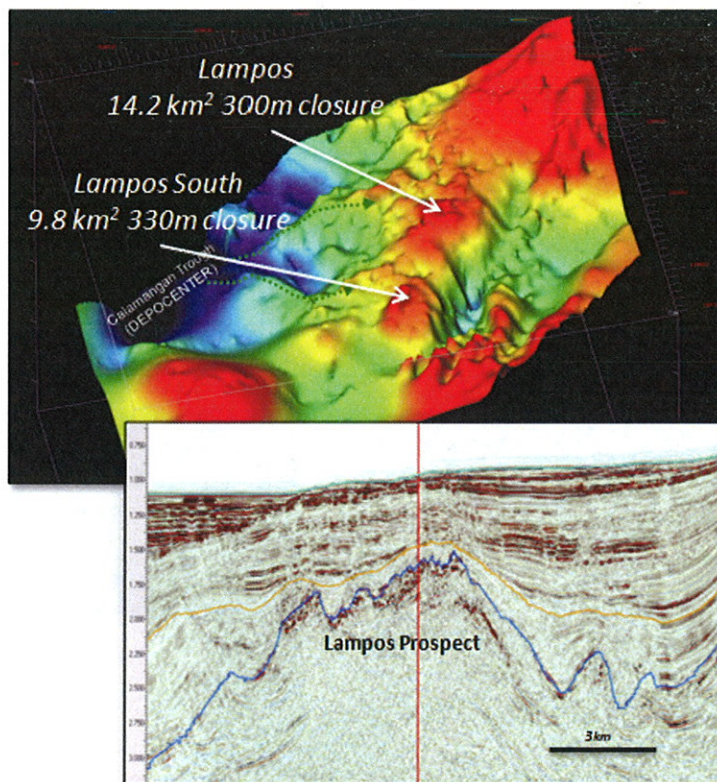
- OEL (through its wholly-owned subsidiary NorAsian Energy Phils Inc) 70% Interest and Operator
- Area 7,040 km<sup>2</sup>
- Sub-phase 2 ends February 2011. Work commitments in this Sub-phase have been met
- Sub-phase 3 commences February 2011 to August 2012 and contains a minimum 3D seismic requirement of 50 km<sup>2</sup> or 1 exploration well

### **Current Status:**

The new 2D seismic data has confirmed the presence of the sizable Lamos and Lamos South prospects which sit immediately adjacent to the Calamangan Trough which is modelled to generate both oil and gas.

Both prospects indicate seismic character consistent with the development of carbonate reef complexes analogues to those which host the Malampaya oil and gas field. Malampaya is the Philippines largest gas development and provides around 40% of the power requirements of Luzon, the main island in the Republic of the Philippines, or around 2,700 megawatts of power.

To bring Lamos and Lamos South to drillable status Otto intends to acquire a 3D seismic survey across both prospects during early 2011.





## SERVICE CONTRACT 51 OFFSHORE AND ONSHORE VISAYAS

### **Service Contract Summary:**

- OEL (through its wholly-owned subsidiary NorAsian Energy Ltd) 80% Interest and Operator
- Area 3,320 km<sup>2</sup>
- Work commitment in the current sub-phase requires drilling of 1 exploration well by July 2011

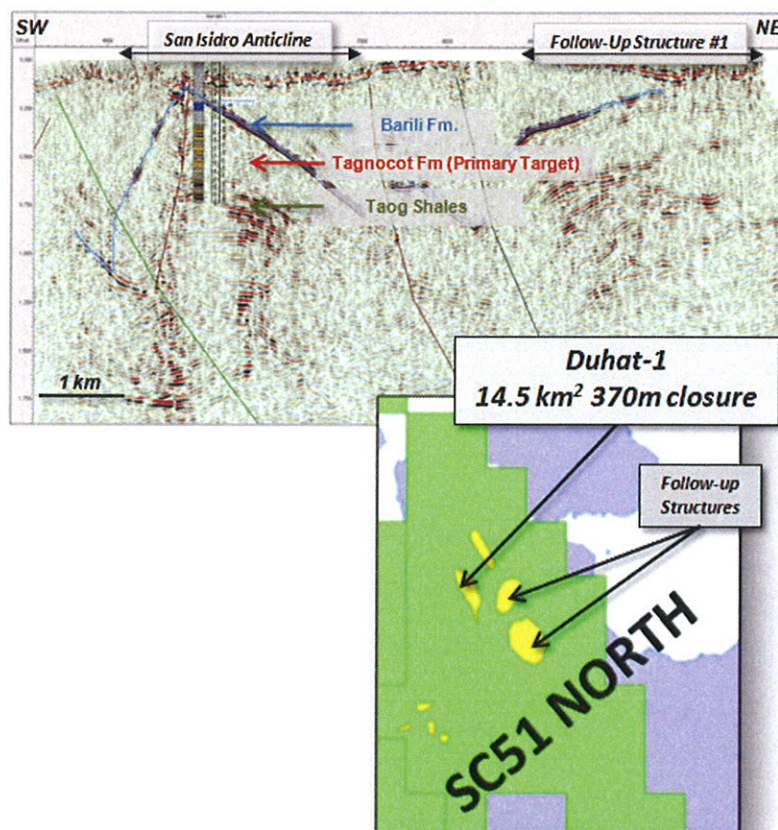
### **Current Status:**

The drilling of the Duhat-1 well is planned to commence in February 2011. This US\$2.5 to US\$3.0 million well will be a test of an anticlinal structure with the primary target being sandstones of the Miocene Tagnocot formation. Initial volumetric estimates put the Oil Initially in Place in this structure at between 12 and 263 mmbbls with a P50 estimate of 76 mmbbls.

The minimum reserve volume for an economic discovery in this environment is less than 1 mmbbl recoverable.

Whilst the prospect is considered high risk, it sits adjacent to a number of surface oil seeps and has a very favourable volumetric upside. Success at Duhat could be followed by additional exploration drilling in the block as several look alike structures are located close by.

Otto is currently in discussion with a farm-in partner to participate in this well with commercial terms agreed and pending satisfaction of conditions precedent to this agreement becoming unconditional. The Department of Energy has approved the extension of the current sub-phase of SC51 until July 2011 to allow the Duhat-1 well to be drilled and results evaluated before being required to enter the following sub-phase.







# AGM Presentation

22 November 2010

# Disclaimer

- For personal use only
- This presentation does not constitute an offer to sell securities and is not a solicitation of an offer to buy securities. It is not to be distributed to third parties without the consent of Otto Energy Ltd (the “Company”).
  - This presentation contains forward-looking statements that are not based on historical fact, including those identified by the use of forward-looking terminology such as statements containing the words “believes”, “may”, “will”, “estimates”, “continue”, “anticipates”, “intends”, “expects”, “should”, or the negatives thereof and words of similar import.
  - Management of the Company cautions that these forward-looking statements are subject to risks and uncertainties that could cause actual events or results to differ materially from those expressed or implied by the statements. Management believes that the estimates are reasonable, but should not unduly be relied upon.
  - The Company makes no representation, warranty (express or implied), or assurance as to the completeness or accuracy of these projections and, accordingly, expresses no opinion or any other form of assurance regarding them. Management does not intend to publish updates or revisions of any forward-looking statements included in this document to reflect the Company’s circumstances after the date hereof or to reflect subsequent market analysis.
  - The hydrocarbon reserve and resource estimates are based on information compiled by Mr Nick Pink. Mr Pink has more than 12 years of relevant experience and is qualified in accordance with ASX Listing Rule 5.11. Mr Pink is a full time employee of Otto Energy as its Senior Reservoir Engineer and has consented to the inclusion in the presentation of the information in the form and context in which it appears.



# 2010 Focus on 4 issues

For personal use only



Improving Operations and cash-flow in Galoc



Starting production in Turkey



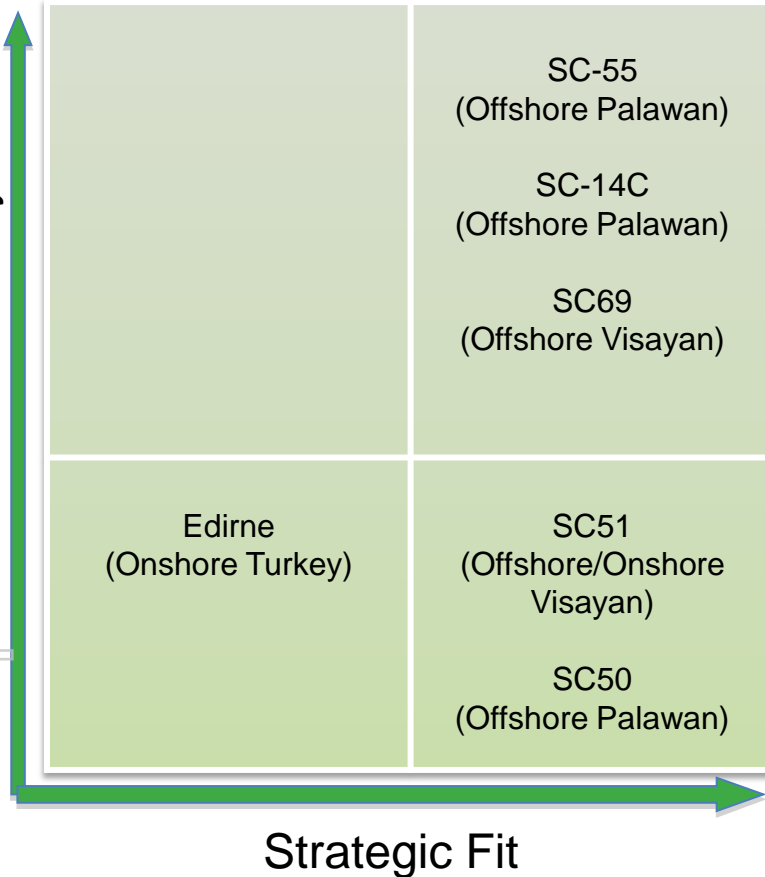
Maturing Philippines high prospectivity acreage



Improving portfolio focus via exit of non-core assets.

# Portfolio ranking is now in 4 quadrants

For personal use only



<b>Galoc Oil Field Philippines</b> <b>(18.8% interest)</b>	<ul style="list-style-type: none"> <li>~6 million bbls (gross) produced to date</li> <li>Current production rate 8,000 bopd</li> <li>Infill development and exploration planning ongoing</li> </ul>
<b>Philippines Exploration</b> <b>(70 to 85% interest)</b>	<ul style="list-style-type: none"> <li>20,000 km2 highly prospective acreage</li> <li>SC55 – promising seismic interpretation</li> <li>SC51 – Duhat-1 onshore well</li> <li>SC69 – 3D seismic program in 2011</li> </ul>
<b>Edirne Gas Project, Turkey</b> <b>(35% interest)</b>	<ul style="list-style-type: none"> <li>Plateau Rate 6-7 mmscf/d</li> </ul>

# Cash-flow has been growing for 2 years

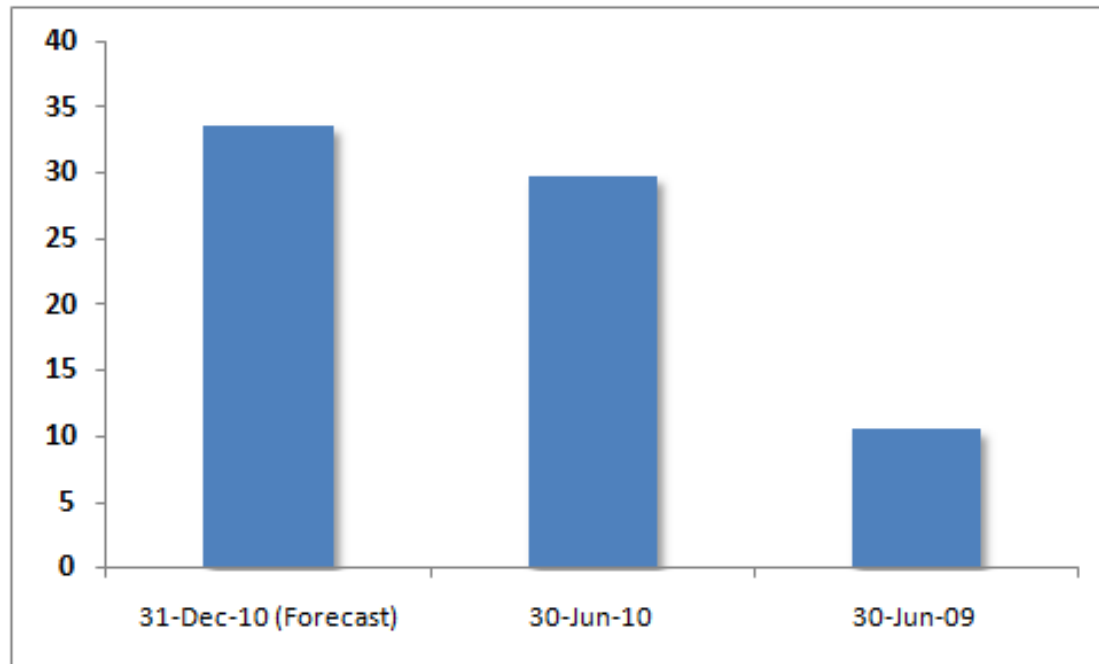
Asset	2010	2009	%
<b><u>Galoc</u></b>			
• Uptime (12 mth rolling average)	78%	62%	16%
• Production (bbl, net)	536,943	428,865	25%
• Receipts from GPC (US\$)	\$29.5m	\$0.0m	100%
<b><u>Exploration</u></b>			
• Seismic acq. contribution (US\$m)	\$20.0m	\$0.0m	100%
• Exploration expenditure (A\$m)	(\$25.1m)	(\$12.8m)	96%
<b><u>Turkey</u></b>			
• Production (Mscf, net)	229	-	100%
• Revenue (US\$)	\$1.7m	\$0.0m	100%



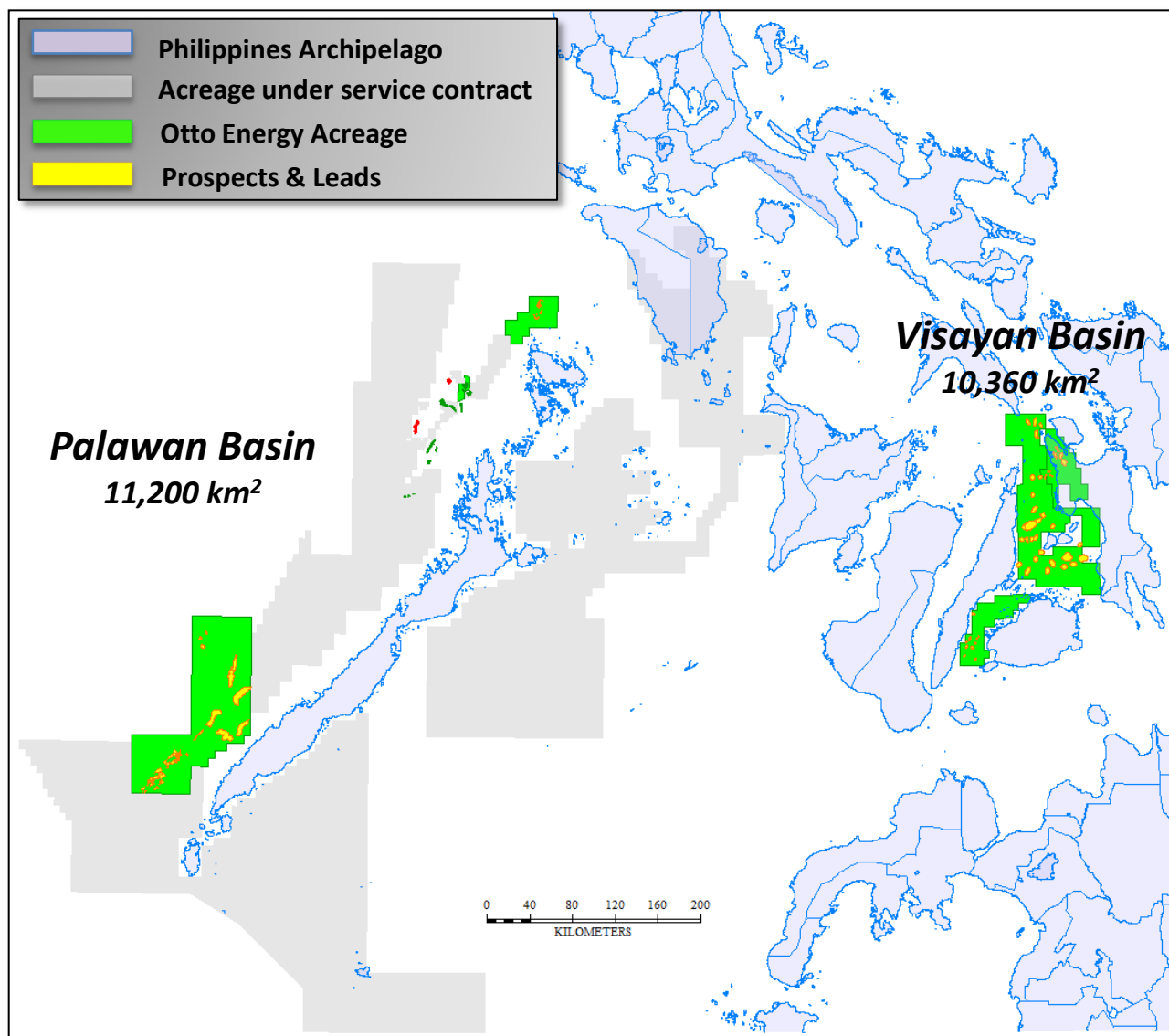
# Cash position at a US\$33 million high

For personal use only

	End Q4 2010 Forecast	End FY 2010	End FY 2009
Cash in Bank (US\$m)	\$33.5m	\$29.7m	\$10.5m
Debt (US\$m)	\$0.0m	\$0.0m	\$0.0m



# Philippines Acreage



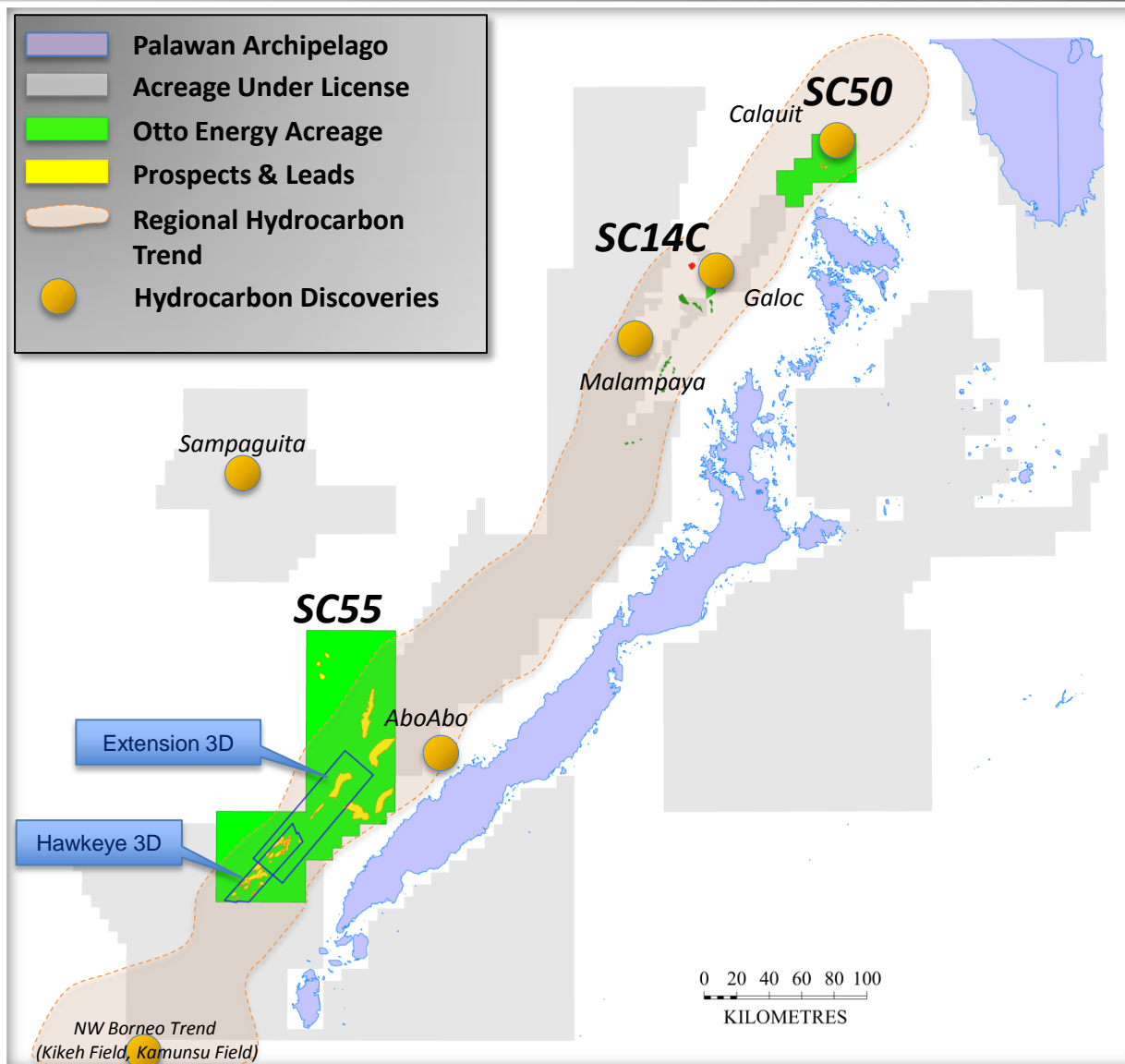
# Maturing Philippines Exploration

Asset Activity 2010		Acquired	Processed	Interpretation /Prospect Maturation
SC55	New 2,400sqkm 3D	Q1 2010	Q2-4 2010	ongoing
SC69	New 760km 2D	Q1 2010	Q2-3 2010	completed



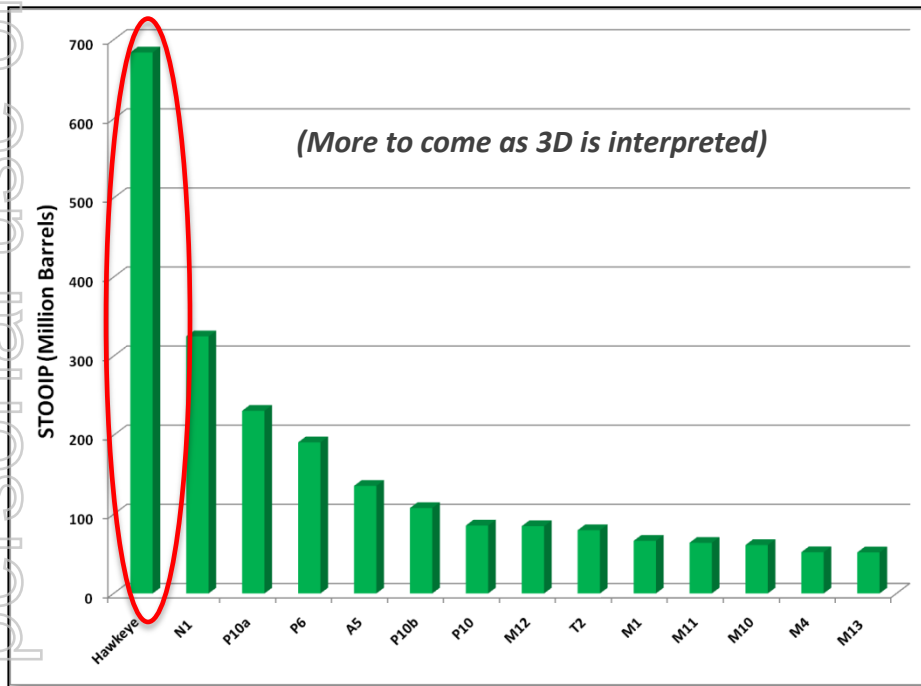
# Palawan Acreage

For personal use only

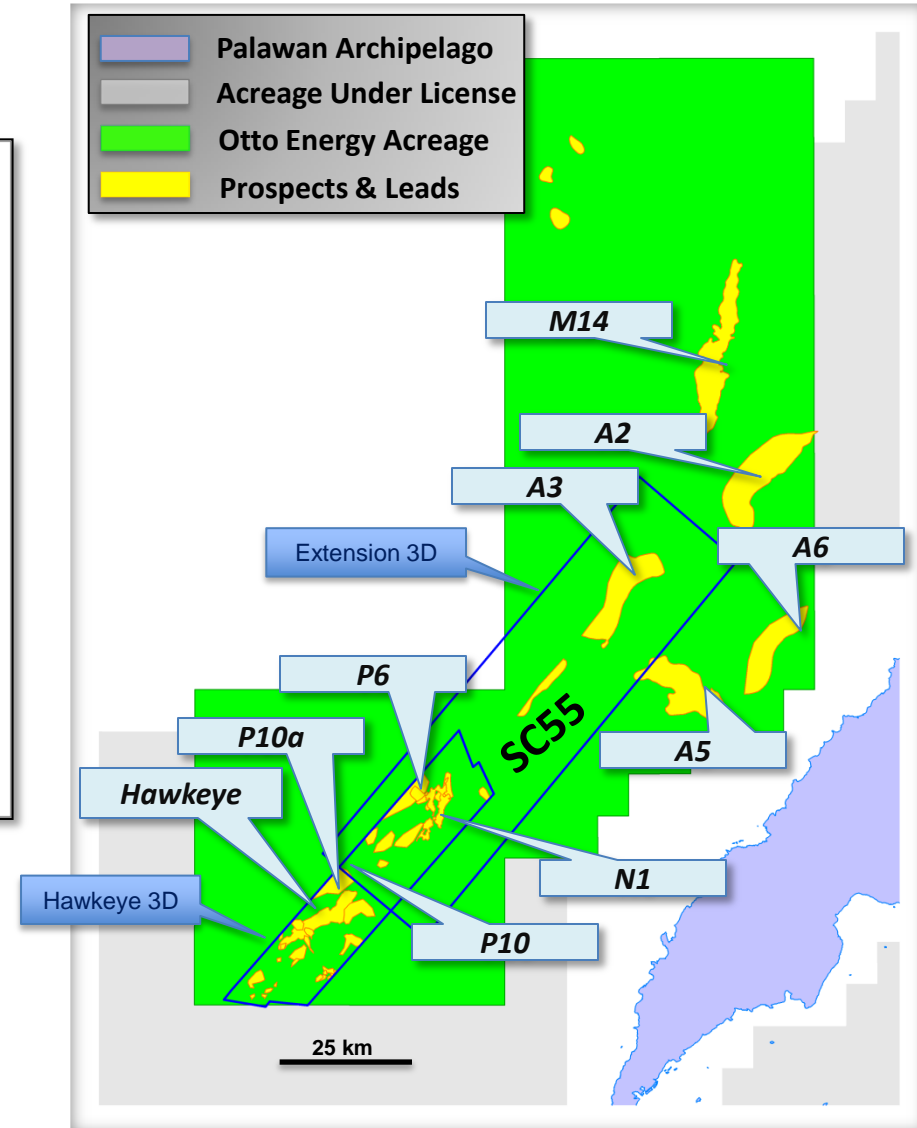


# SC55 Prospective Resources: Palawan Acreage

Hawkeye 3D Identified Prospects



**TOTAL Mean (Unrisked) Oil-in-Place:**  
**2.25 Billion Barrels**



# SC55 Update: Maturing to drilling stage

## Hawkeye Prospect

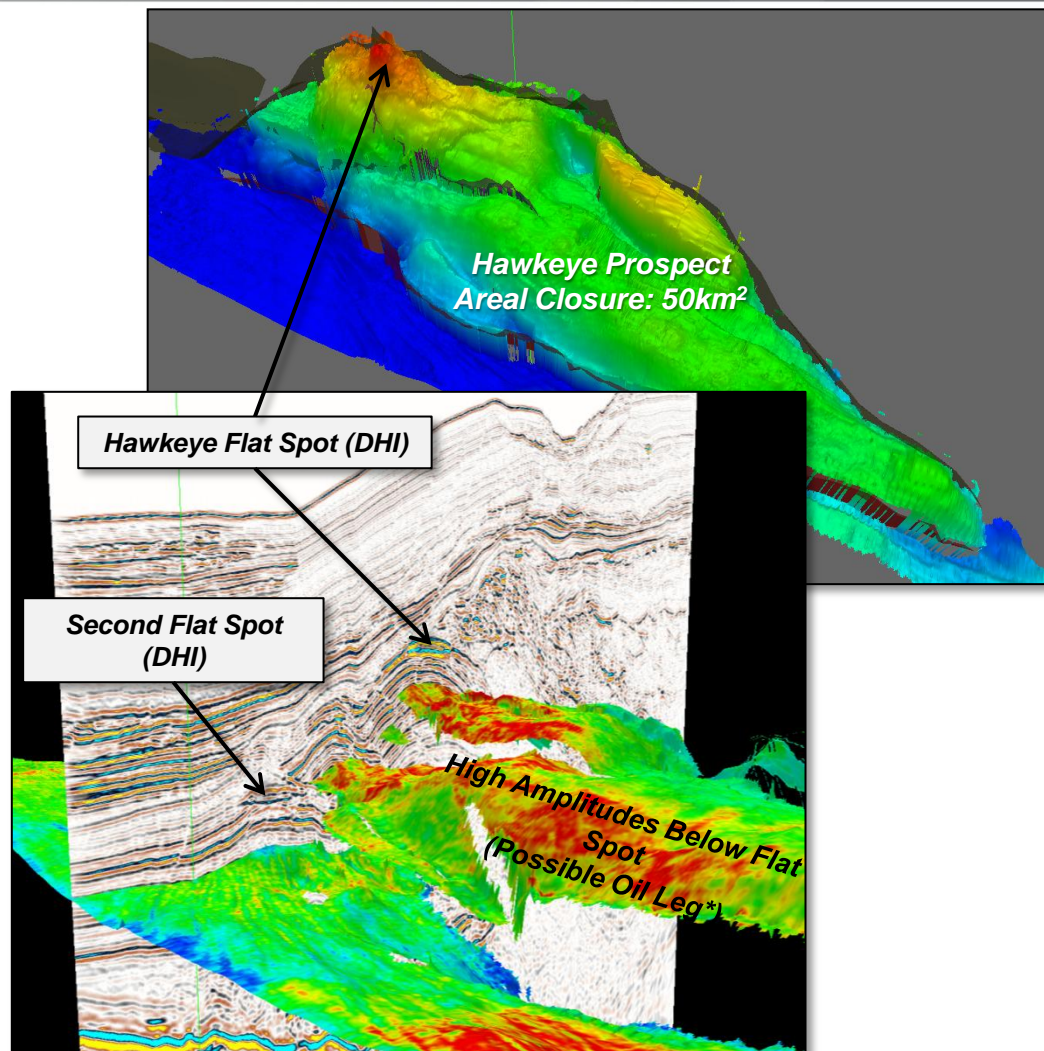
Location	Offshore, SW Palawan
Area of Closure	50 km <sup>2</sup> Up to 500m column height
STOIIP	87-484-1539 MMbbls
GIIP	0.2-1.2-2.5 Tcf
Present GPOS (oil)	27%

*\*Rock physics work supports an oil phase below the gas cap (DHI).*

STOIIP means Stock Tank Oil Initially in Place

GIIP means Gas Initially in Place

GPOS Geological Probability of Success

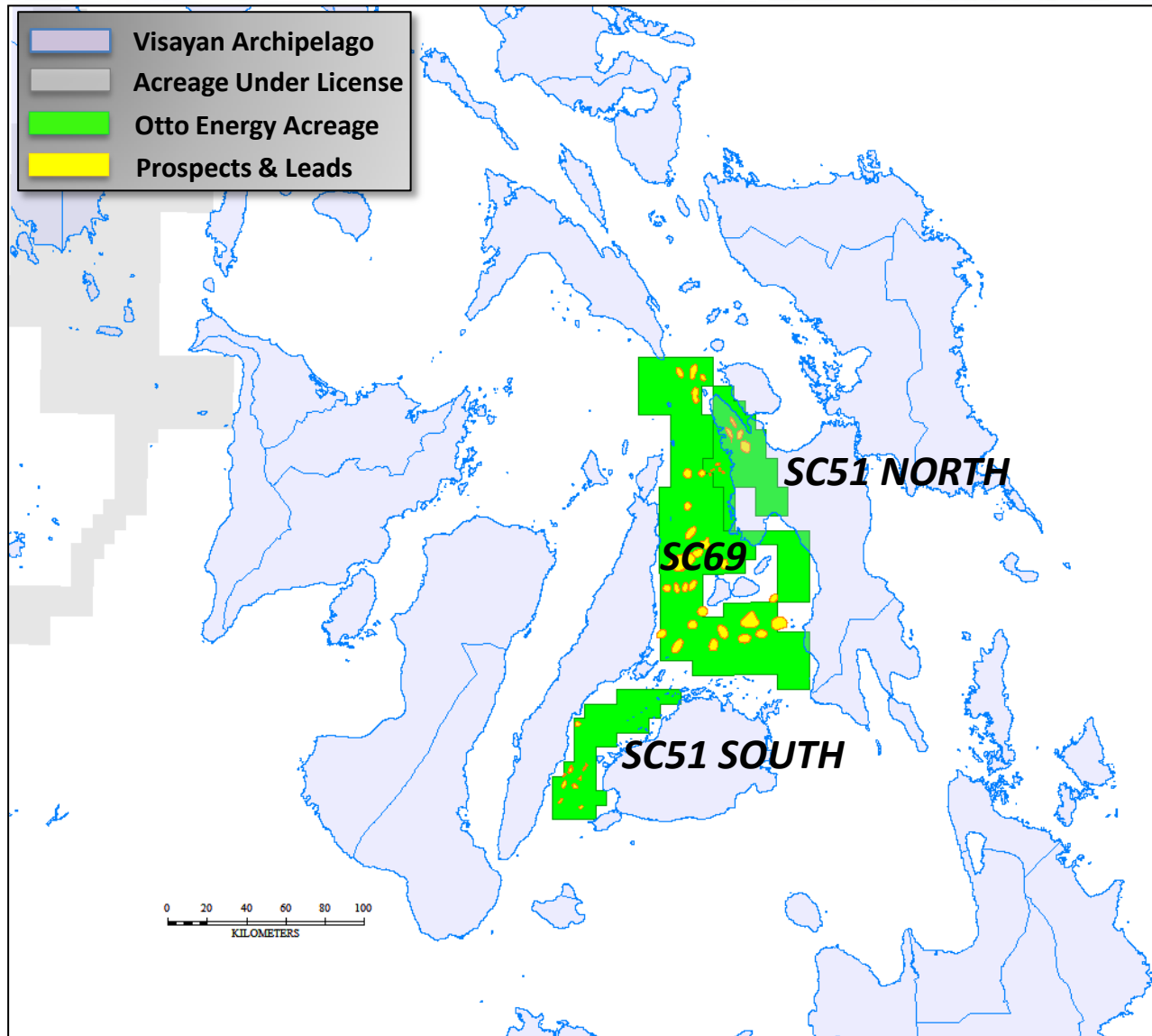


**Success at Hawkeye would de-risk the fold and thrust trend in SC55.**



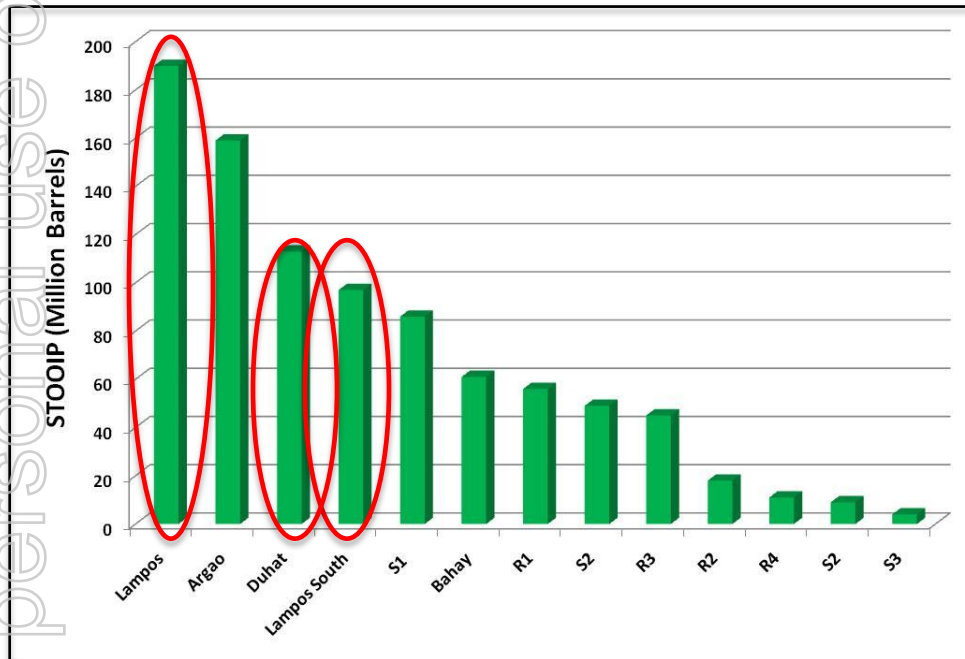
# Visayan Acreage

For personal use only

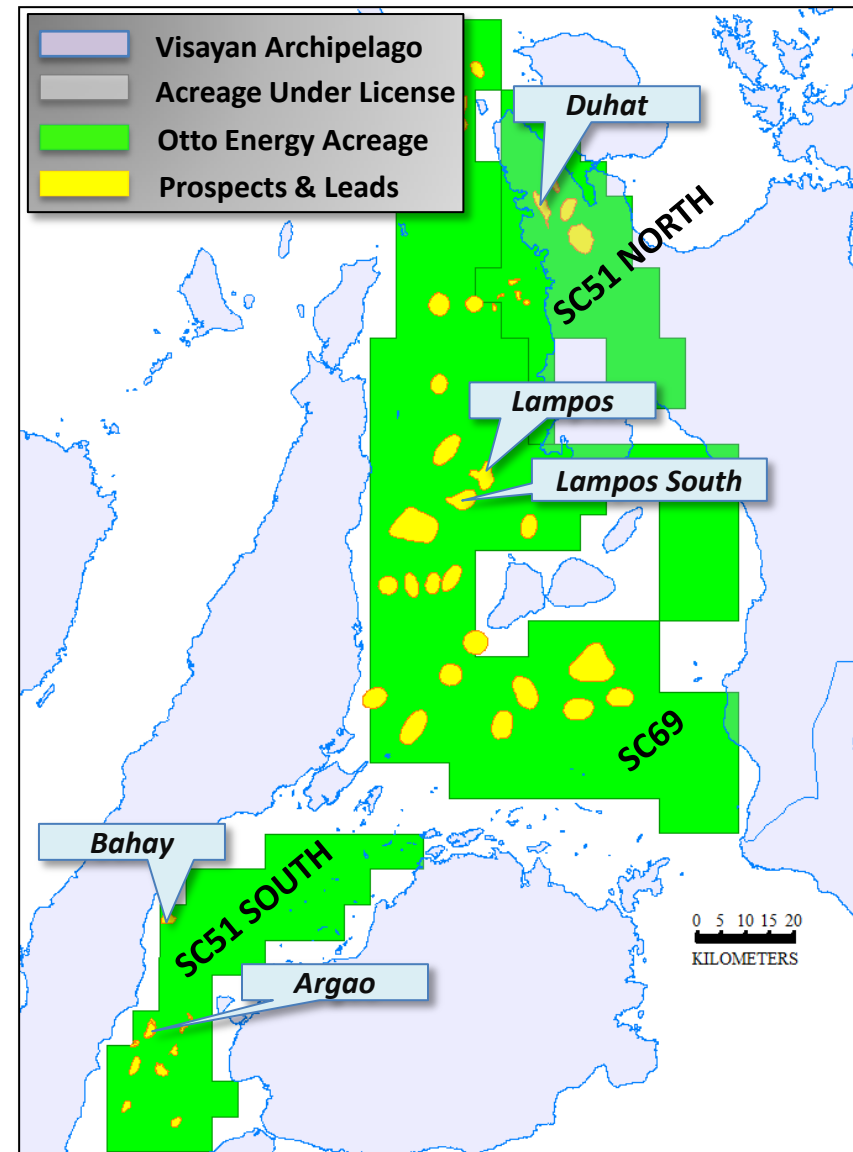


# Prospective Resources: Visayan Acreage

2D Identified Prospects



**TOTAL Mean (Unrisked) Oil-in-Place:**  
**900 Million Barrels**



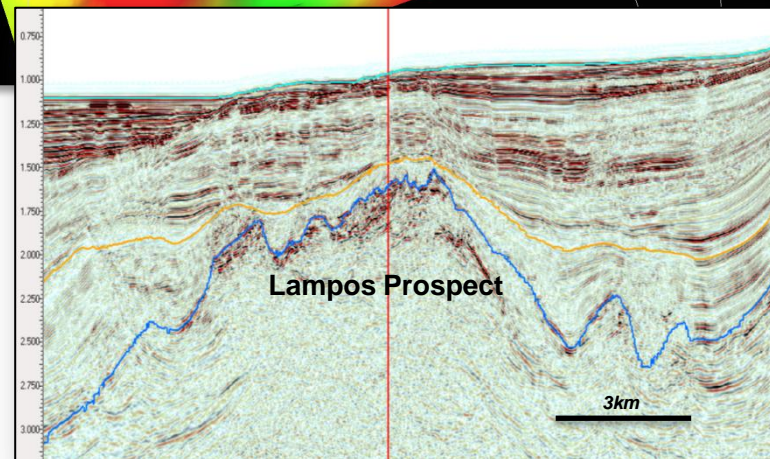
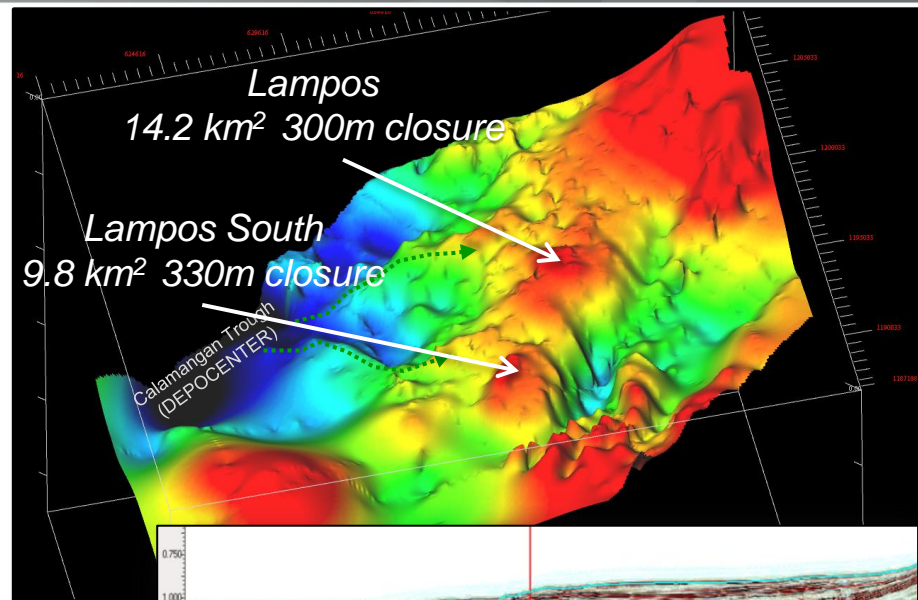
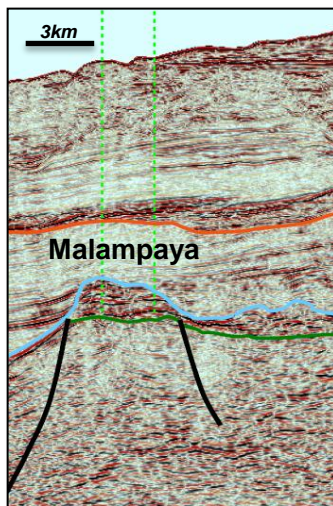
# SC69 Update: Moving to next Phase with 3D

	Lamos	Lamos South
Location	Off-shore Visayan Basin	
Closure Area	14.2 km <sup>2</sup>	9.8 km <sup>2</sup>
Closure Height	300m	330m
STOIP*	15-121-468 MMbbls	7-57-245 MMbbls
GIIP*	22-162-612 Bcf	10-76-326 Bcf
Source Area	Calamangan Trough	
Present GPOS (pre-3D)	14%	14%

\* If trap oil filled

\* If trap gas filled

*Lamos is analogous to the largest discovered field in the Philippines - MALAMPAYA*





# SC51 Update: Duhat-1 Drilling Q1 2011

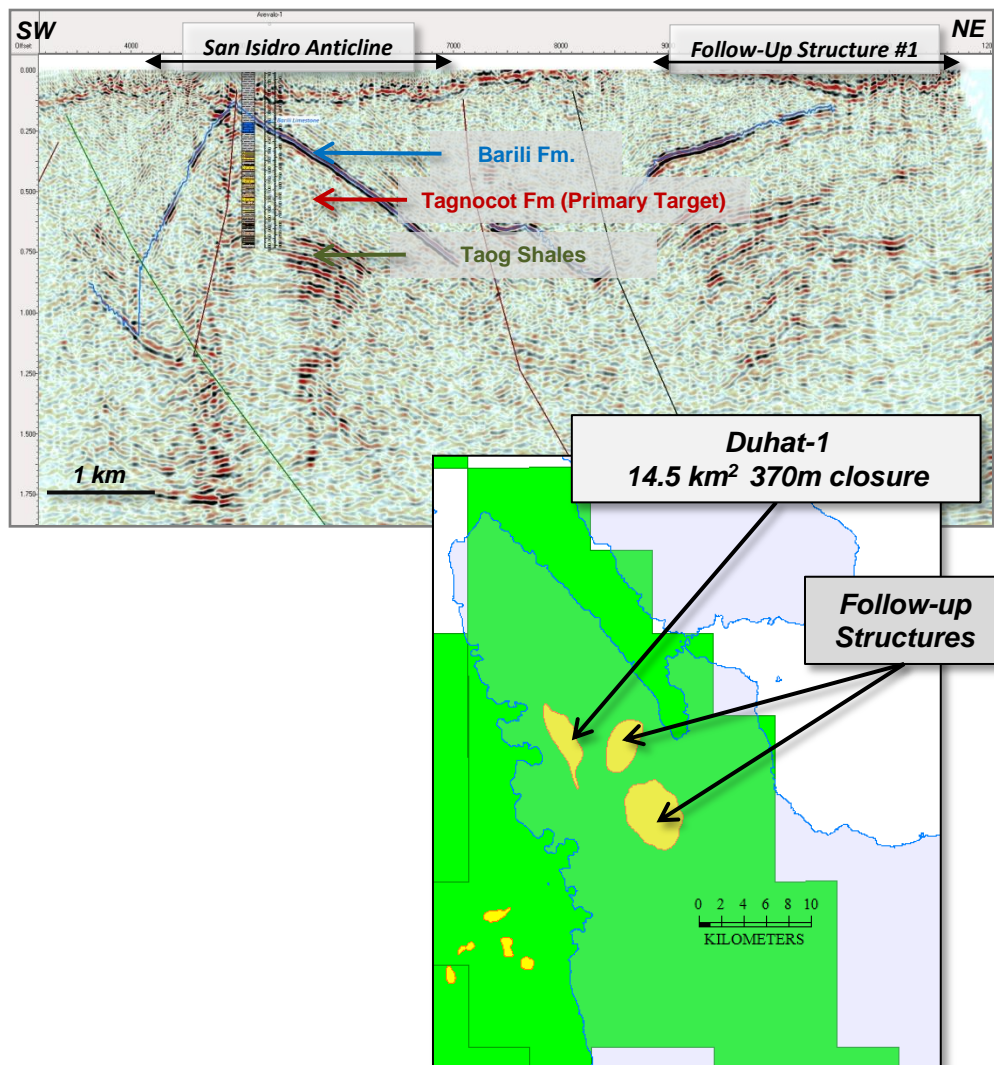
Duhat-1 will be the **first valid structural test conducted on the island of Leyte**, an area of well-known and documented oil seeps.

## Duhat-1 Prospect: Drilling the San Isidro Anticline

Location	On-shore, NW Leyte
Proposed Well Depth	1000m
Area of Closure	14.5 km <sup>2</sup>
STOIIP	12-76-263 MMbbls
Source	Upper Oligocene Taog shales (TOC >3%)
Present GPOS	8%
Estimated Spud Date	February 2011

*Low cost commitment well with the potential to discover a new hydrocarbon province.*

*Many adjacent look-alike structures would be tested given success at Duhat. A low cost, high value opportunity.*



# 2010 Planned exits from non core assets

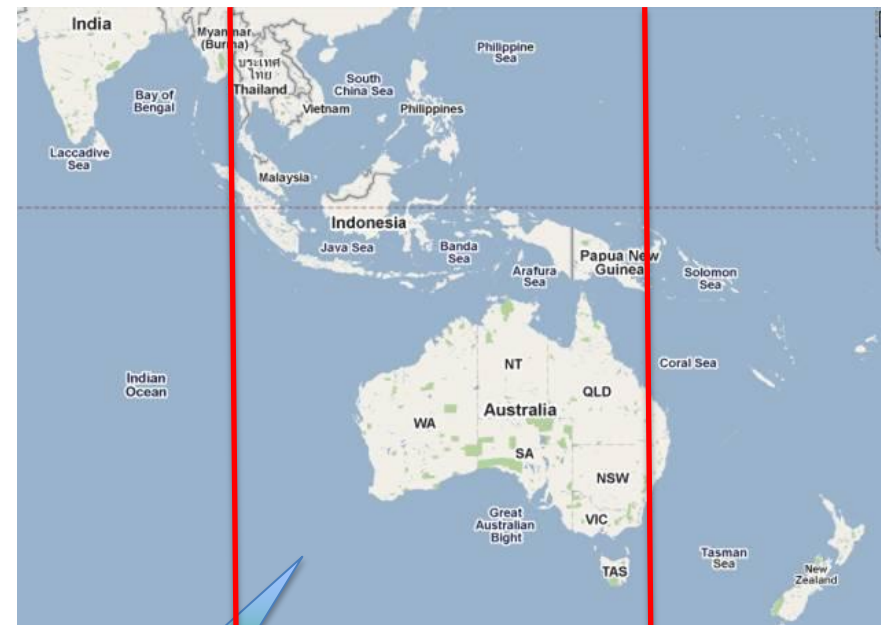
For personal use only

- ➔ Have exited Argentina and Italy
- ➔ Turkey
- ➔ SC 50 Calautit

# New Business: What 's next

- ➔ Portfolio high-grading complete around year end
- ➔ New opportunity capture anticipated in 2011

What	How
Exploration	Gazettals/Farm-ins
Development	Screening undeveloped fields
Production	Galoc Phase 2 Near Field Exploration New Opportunities



Area of Focus

# 2011 Outlook

For personal use only

What	When
Drill Duhat-1, onshore Leyte	Q1 2011
Get Hawkeye Drill ready (SC-55)	Q1-2 2011
Galoc Phase 2 (SC-14c)	Q3 2011
Lampos 3D (SC 69)	Q1-2 2011
New asset/opportunity entry	2011



Thank You