

9 March 2011

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

By E-Lodgement

OTTO EXPLORATION UPDATE

Highlights:

- **SC55 Offshore Palawan 3D seismic interpretation identifies large to very large Nido level carbonate leads**
- **SC69 Offshore Visayan 3D seismic acquisition contract executed, acquisition due to commence late Q2 2011**
- **SC51 Onshore Visayan mobilisation commences for drilling of Duhat-1**

Otto Energy Ltd (ASX: OEL) is pleased to provide an update on its 2011 Philippines exploration activities to investors.

Otto acquired over 2,400 km² of 3D and 760 kilometres of 2D seismic during 2010 in campaigns run in the first quarter. Otto has now commenced a significant exploration campaign for 2011.

Interpretation of the extensive 3D seismic data acquired in SC55 Offshore Palawan indicates the presence of an active petroleum system coupled with a series of large to very large Nido Carbonate structures that supplement the Hawkeye prospect described in previous releases. This provides a diverse portfolio of potential future drilling targets.

Q2 2011 represents a period of significant activity for Otto Energy with both the drilling of Otto's first operated exploration well, Duhat-1 at San Isidro in Leyte, and the acquisition of 210 km² of marine 3D seismic in SC69 Offshore Visayas.

Otto's Managing Director Paul Moore said "In addition to conducting these exciting Visayan drilling and seismic programmes, Otto will also be progressing our prospects and leads inventory into drill ready status in our core Palawan Block SC55, ahead of entering the next sub-phase in August 2011, with a decision from BHP Billiton also due on exercising their farm-in option during Q2 2011".

Yours faithfully

Paul Moore
Managing Director

Contact:

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OTTO AT A GLANCE

- ASX-listed oil and gas company with significant growth potential.
- Production from Galoc Oil Field provides cash flow.
- First operated exploration well in Philippines in Q2 2011.
- Opportunity rich with substantial exploration prospects and leads in Palawan and Visayan basins.

COMPANY OFFICERS

Rick Crabb	Chairman
Paul Moore	Managing 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.

SERVICE CONTRACT 55 OFFSHORE PALAWAN

Service Contract Summary:

- OEL (through its wholly-owned subsidiary NorAsian Energy Ltd) 93.18% Interest and Operator
- Area 9,880 km²
- Two 3D seismic acquisition programmes were completed during 2010 : The Hawkeye 3D (600 km²) and the Extension 3D (1800km²)
- 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:

The final processed 1800 km² of "Extension " 3D seismic data has recently been received and is currently undergoing its first interpretation. Otto is currently maturing the Hawkeye complex identified via the Hawkeye 3D seismic.

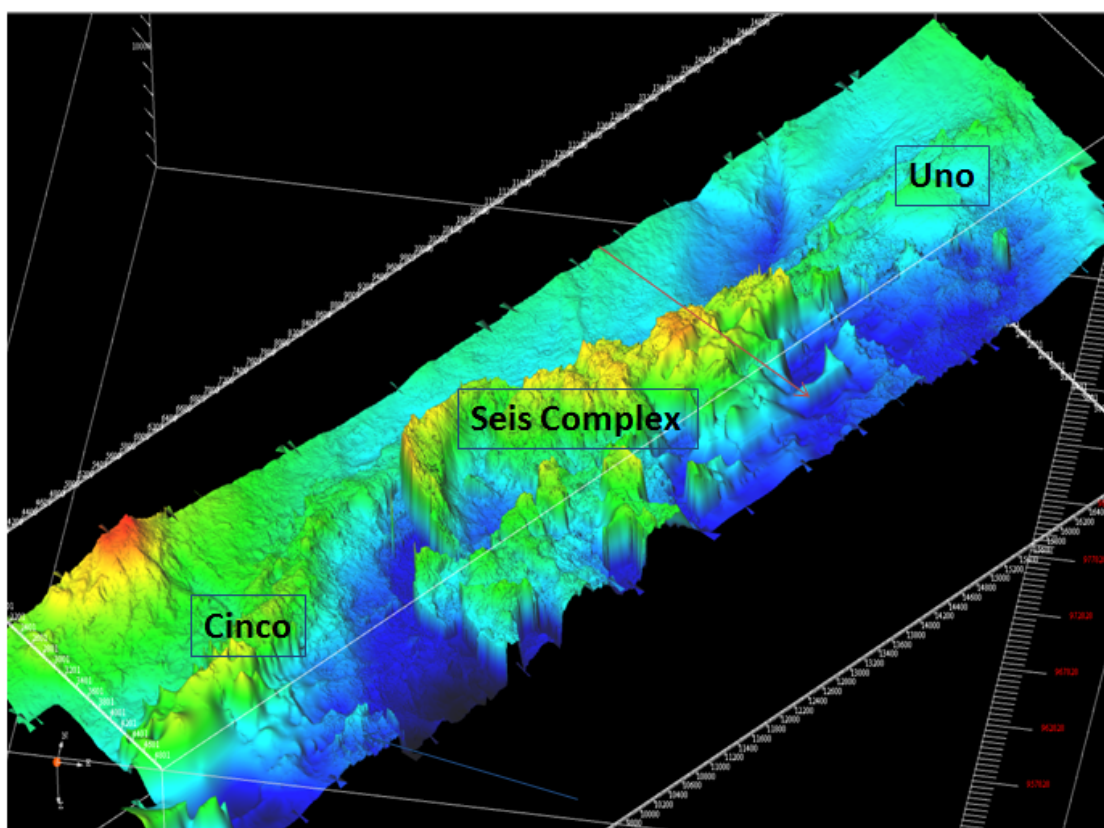
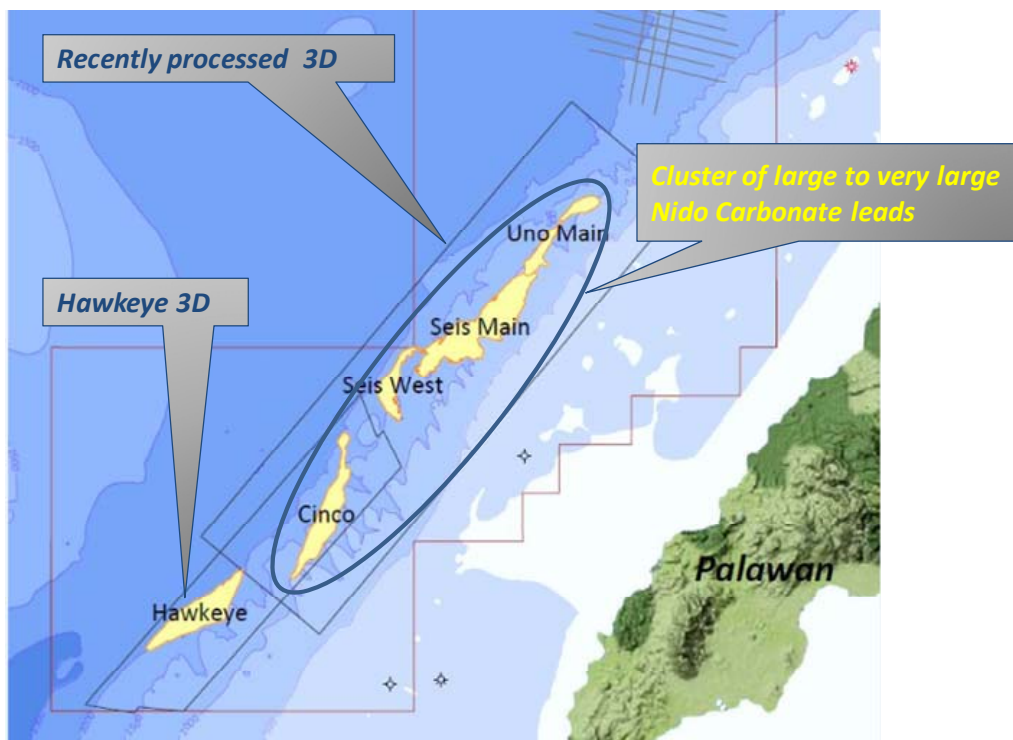
Otto previously provided information on the Hawkeye complex based on the Hawkeye 3D data estimating the current "success case " oil initially in place volumes to be between 87 and 1,539 mmbbls, with a mean in place volume of 680 mmbbls. This prospect is currently risked with a Geological Probability of Success (GPOS) of 27%. Ongoing work is progressing this prospect towards being drill ready in 2011.

Initial interpretation of the recently processed 1800 km² of "Extension " 3D data indicates the presence of an active petroleum system in this portion of the block coupled with a series of large to very large Nido Carbonate structures, as illustrated in the figure below. These supplement the shallower Hawkeye complex and thereby provide a diverse portfolio of potential future drilling targets.

The emergence of the Nido carbonate leads, (Cinco, Seis Complex and Uno figured below) which appear analogous to structures in the proven hydrocarbon play within this province, is reinforcing Otto's view that this block presents both a material and exciting exploration opportunity.

The previously announced seismic acquisition and farm-in option agreement with BHP Billiton remains current with final decision on the farm-in option required by BHP Billiton during Q2 2011.

The figure below indicates the leads and structuring as currently interpreted.



Top Nido Carbonate Horizon – Extension 3D seismic

SERVICE CONTRACT 69 OFFSHORE VISAYAS

Service Contract Summary:

- OEL (through its wholly-owned subsidiary NorAsian Energy Phils Inc) 79% Interest and Operator
- Area 5,280 km²
- Work commitment in sub-phase 3 contains a minimum 3D seismic requirement of 50 km² or 1 exploration well by August 2012

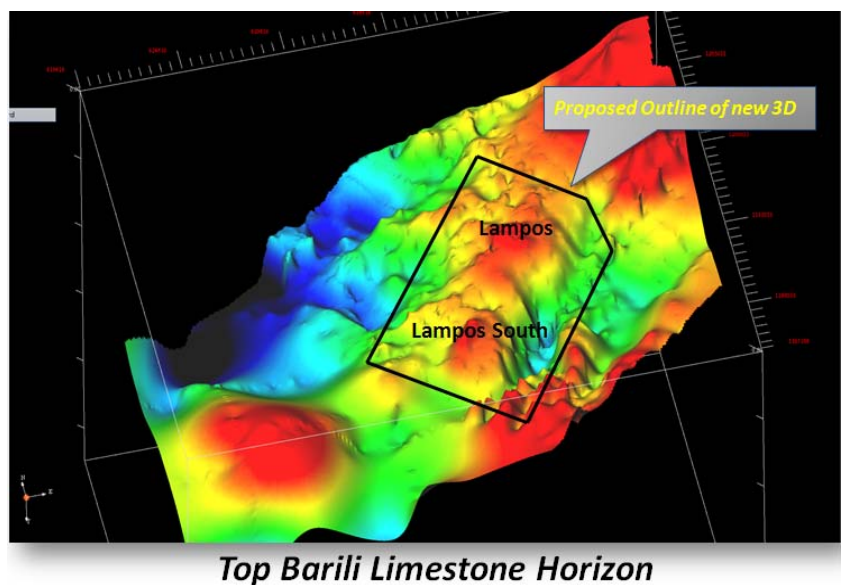
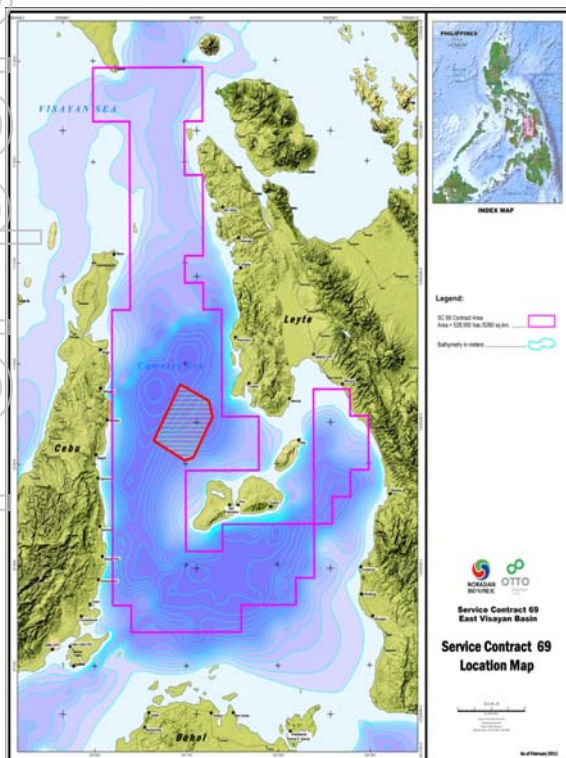
Current Status:

Following promising interpretation of the 760 km of 2D seismic acquired over this area in 2010, pre-survey planning for the acquisition of 210 km² of 3D seismic over the Lamos and Lamos South prospects has been completed.

A contract for seismic acquisition has been executed with Exploiter Pte Ltd (a subsidiary of BGP) to deploy their 3D survey vessel BGP Explorer in marine operations which are scheduled to commence in late Q2 2011.

The data acquired from the successful 2D seismic campaign last year confirmed the presence of two sizeable reef structures, Lamos and Lamos South that sit immediately adjacent to the Calamangan Trough which is modelled to generate both oil and gas. Current “success case” estimates of oil initially in place in the combined structures range between 22 mmbbls and 713 mmbbls with a mean in place volume of 290 mmbbls. Geological probability of success (GPOS) is currently estimated at 14% with scope for improvement foreshadowed via the new 3D seismic, thereby maturing it to drillable status.

NorAsian will be coordinating with the Philippine Department of Energy in undertaking an Information, Education and Communications (IEC) campaign that will cover several municipalities in the provinces of Cebu and Leyte prior to commencement of acquisition.



SERVICE CONTRACT 51 OFFSHORE AND ONSHORE VISAYAS

Service Contract Summary:

- OEL (through its wholly-owned subsidiary NorAsian Energy Ltd) 40% Interest and Operator
- Area 3,320 km²
- Work commitment in the current sub-phase requires drilling of 1 exploration well by July 2011
- This licence has recently been farmed down from 80% Working Interest to 40% to SWAN Oil and Gas Ltd in exchange for a US\$ 1.5 mm carry through Duhat-1 well, to be drilled to 1000m in Q1/2 2011

Current Status:

Site preparations for the Duhat-1 well have been completed and the majority of the drilling related equipment has arrived in Manila. Mobilization of DESCO Rig-1 and all drilling equipment to San Isidro, Leyte will commence by mid-March. Barring any unforeseen events the well is expected to spud by end of March or early April.

The Duhat-1 well is programmed to reach a total depth of 1,000 metres and will test potential hydrocarbon accumulations within the sandstones of the Miocene Tagnocot formation of the San Isidro anticline prospect. Initial "success case" volumetric estimates put the Oil Initially in-Place between 12 and 263 mmbbls with a P50 estimate of 76 mmbbls. Geological Probability of Success (GPOS) is estimated at 8%.

With its programmed total depth (T.D) of 1000m, the Duhat-1 will be the second deepest exploration well in northwest Leyte. Hydrocarbon shows in several of the shallow wells drilled in the block and the presence of numerous oil seeps in the area indicate the presence of an active petroleum system. A success at Duhat-1 could be followed-up by additional exploration drilling on nearby look-alike structures.

The minimum reserves volume required for an economic discovery in the area is less than 1 mmbbl recoverable.

Otto Energy successfully executed a farm-out agreement with SWAN Oil and Gas in January 2011 and is now awaiting approval of the Philippine Department of Energy for this assignment.



Duhat-1 Well-site under preparation, San Isidro, NW Leyte, Philippines.