

28 August 2014

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

**By E-Lodgement**

**ASX ANNOUNCEMENT – CONFERENCE PRESENTATION**

Please find attached a presentation to be made at the East Africa Oil and Gas Conference in Perth on Thursday 28<sup>th</sup> August 2014.

Yours faithfully

**Matthew Allen**  
Chief Executive Officer

**OTTO AT A GLANCE**

- ASX-listed oil and gas company with a strategy to grow its oil and gas business across exploration, development and production
- Focused on South East Asia and East Africa
- Operator of the producing Galoc oil field in the Philippines, which provides cashflow

**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	Company Secretary

Contact:  
Craig Hasson  
Chief Financial Officer  
+61 8 6467 8800  
[info@ottoenergy.com](mailto:info@ottoenergy.com)

Media:  
Matthew Gerber  
MAGNUS Investor Relations + Corporate Communication  
+61 2 8999 1002  
[mgerber@magnus.net.au](mailto:mgerber@magnus.net.au)

ASX : OEL



# **East African Oil Exploration a Personal and Company View**

**Paul Senyica**

**VP Exploration and New Ventures Otto Energy**

# Disclaimer



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 Limited (the "Company").

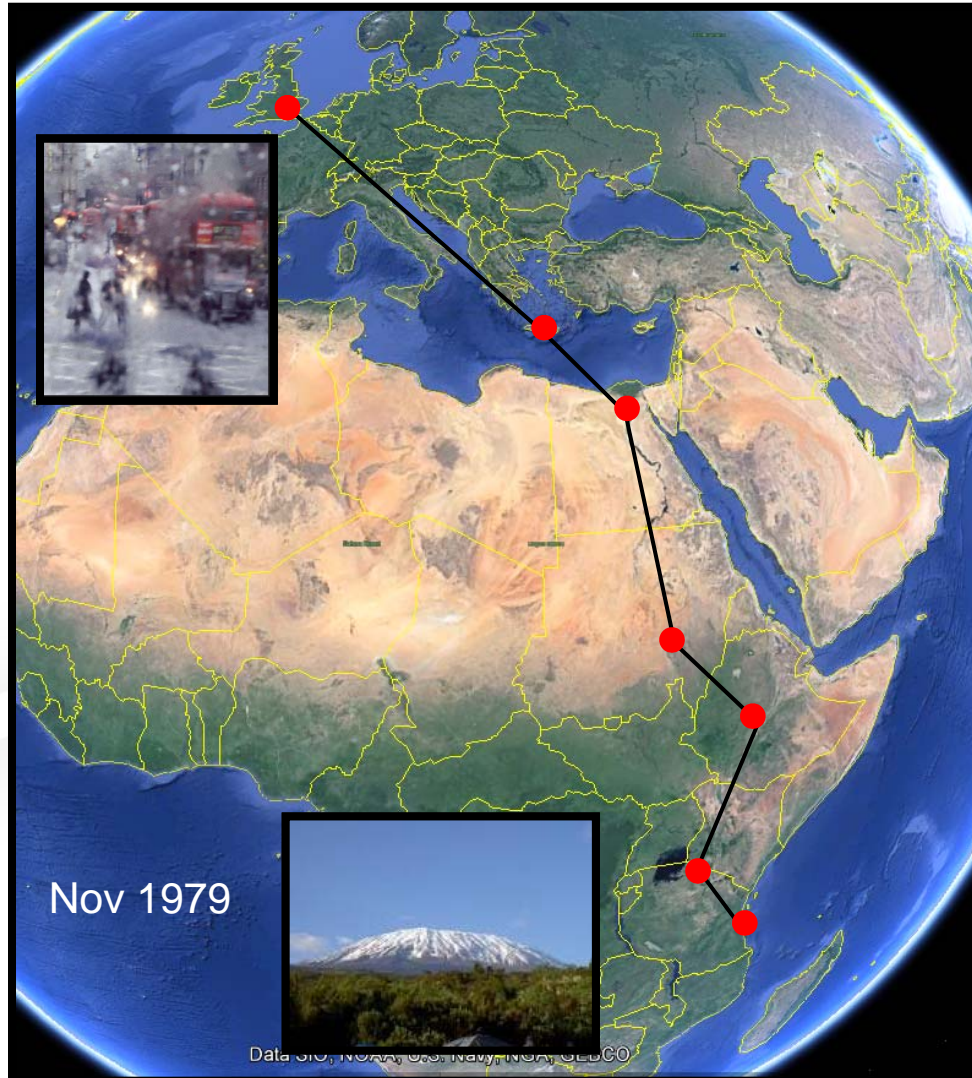
This presentation contains forward looking statements that are subject to risk factors associated with oil and gas businesses. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.

The Company, its directors, officers and employees make no representation, warranty (express or implied), or assurance as to the completeness or accuracy of forward looking statements.

The reserve and contingent resource information in this report is based on information compiled by Mr Mark Pogson MSc (DIC), PhD (Physical Chemistry) BSc (Chemistry and Geochemistry), who has consented to the inclusion of such information in this report in the form and context in which it appears. Mr Pogson consultant to the Company, with more than 25 years relevant experience in the petroleum industry and is a member of The Society of Petroleum Engineers (SPE).

Reserves and Contingent resources have been estimated using both probabilistic and deterministic methods. Otto is not aware of any new information or data that materially affects the assumptions and technical parameters underpinning the estimates of reserves and contingent resources and the relevant market announcements referenced continue to apply and have not materially changed.

## First Steps in the East African Region



### Nov 1979

Pre- GPS, Mobile Phones, Airport Business Lounges

The era of Telex, Land Rover, expensive or non existent international telecommunications.

East African Oil Exploration was extremely frontier and low level. Infrastructure was in many cases basic. Operations were remote and expensive as oil field services were not available in the region.

Any exploration (especially drilling) was undertaken after years of planning by companies of significant size.

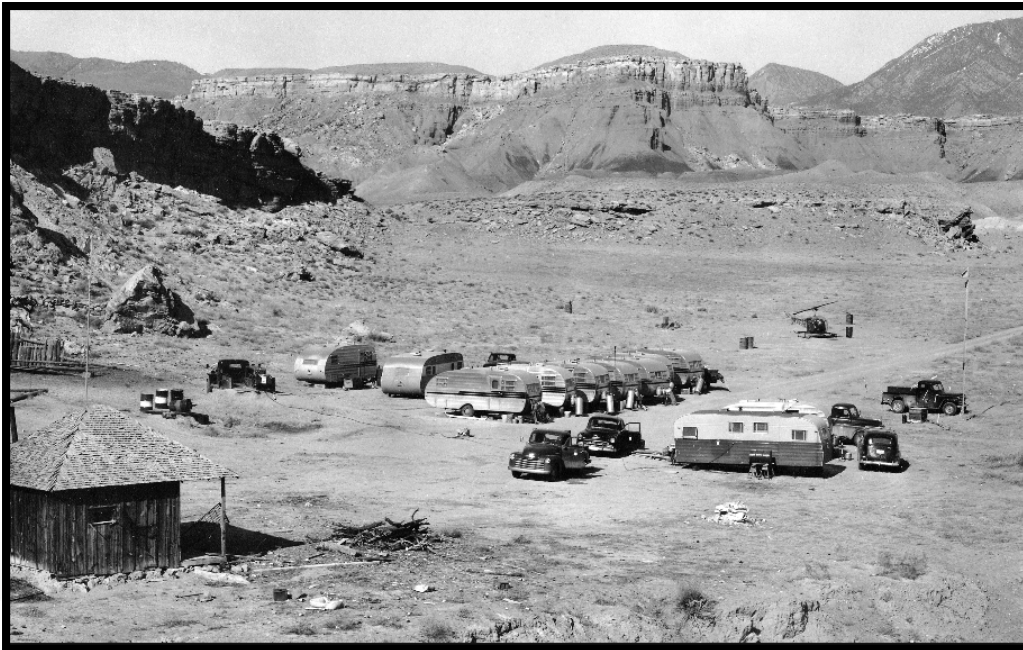
Exploration then was driven by the increase in oil price (second oil price shock) which resulted from the Iranian Revolution. Larger oil companies were still prepared to commit extensive resources to discovering oil in new and remote regions

Companies active in the region included AMOCO, AGIP, Shell and ARCO

Some of the foundational regional geological work in East Africa was undertaken during this period



## The Early Years 1940-1973



### 1940-1973

Prior to the first oil price shock in 1973 oil prices were low, East Africa was seen as remote and unexplored.

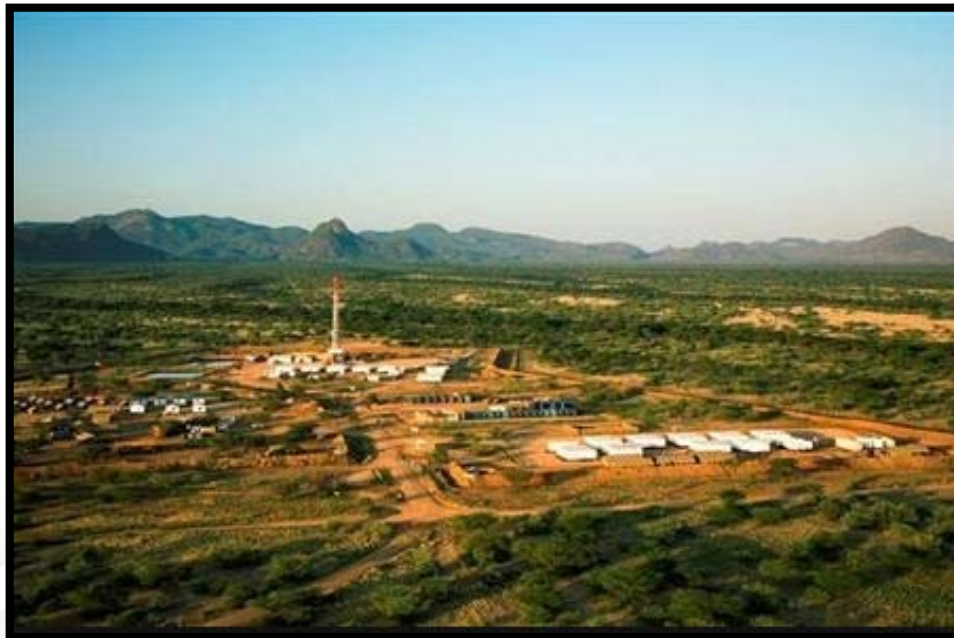
Most exploration activity was confined to field mapping, regional seismic and the occasional well. Geologists were focussed in the early years on finding extensions to the prolific oil fields of the Middle East. But while surface seeps and the presence of tar balls and slicks on lakes indicated the presence of oil, no commercial discoveries were made.

During this period gas discovery was considered a failure, given low prices, poor infrastructure and few markets.

With the exception of minor exploration on coastal islands, offshore exploration was even more muted than onshore

Technology did not support today's deep water drilling

## The Middle Years 1979-1992



### 1979-1992

Oil Exploration in East Africa continued at a slow pace. Oil was discovered to the north in Sudan in 1979 by Chevron. Coastal gas was discovered at Mnazi Bay in Tanzania by AGIP in 1982.

In hindsight the most significant discovery of the period south of Sudan was by Shell in Kenya at Loperot-1 in 1992. Here 9.5 litres of 29° API waxy crude oil was recovered during wireline well testing. The well intersected a modest oil column but demonstrated the presence of an active Oil Petroleum System, a viable reservoir and seal.

At the time the discovery was deemed non-commercial, remote and unattractive. Shell eventually relinquished its exploration rights in the area.

## Build Up to Success 1992-2005



### 1992-2005

Oil Exploration waxed and waned during the period. With a generally lower oil price frontier exploration was reduced by the majors and remote regions with limited infrastructure suffered the most.

During this period East Africa was not in vogue for oil exploration. The larger oil companies withdrew to heartland areas and only small exploration companies maintained an interest. Host governments found it hard to attract exploration dollars.

To help sustain a base level of exploration, regulators provided favourable PSC terms, allowed large areas to be permitted with light work programs and awarded exploration areas by direct negotiation.

During this period Hardman, Heritage and Tullow began exploration in the Lake Albert area of Uganda and from 2005 significant oil accumulations began to be discovered. **This was the first phase of exploration excitement to grip the region and it was driven by small companies.**



## Otto Energy Who Are They?



### Capital Structure

Fully paid ordinary shares	1.15b
Unlisted options <sup>1</sup>	9.75m
Performance Rights	12.50m
Market capitalisation <sup>2</sup>	A\$121m
Cash (June 2014)	US\$7.8m
Debt (June 2014)	US\$0m

### Shareholders

Molton Holdings	21.1%
Santo Holdings	21.1%
Acorn Capital	7.6%
Directors & Management	4.3%
Shareholders	2,968

### Net Reserves

Summary (31 December 2013)	mmboe
Galoc 2P	3.8

- Stable cash flow from Galoc and financial discipline are key differentiators to competitors
- Cashflow can be reinvested into high impact exploration

### 2010-2011

In April 2010 I joined Otto Energy in Perth, a small cap oil exploration and production company with assets primarily offshore Philippines. Stable long term cash flow from Galoc Field oil production underpinned primarily offshore oil exploration.

For sometime Otto had been looking for additional assets to balance its deeper water Philippines exploration focus and diminishing exploration portfolio.

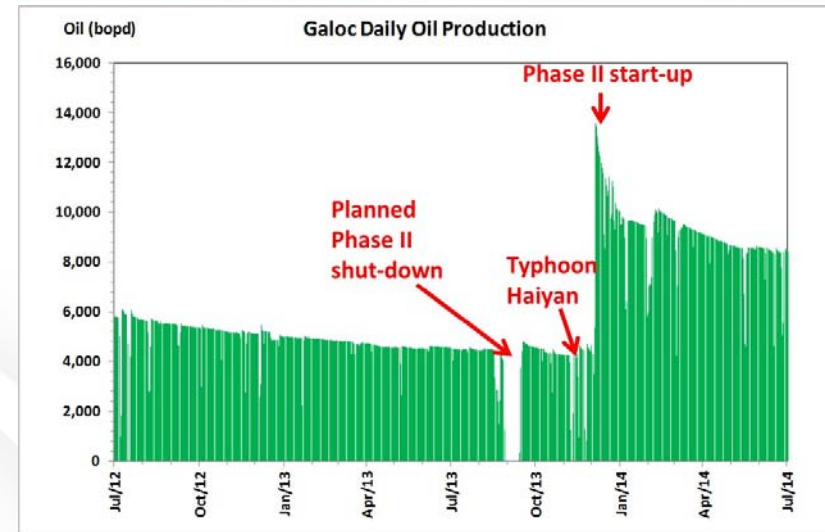
After global review onshore oil prone assets with significant upside potential were considered a suitable portfolio complement and the Board approved East Africa as the new ventures search area.



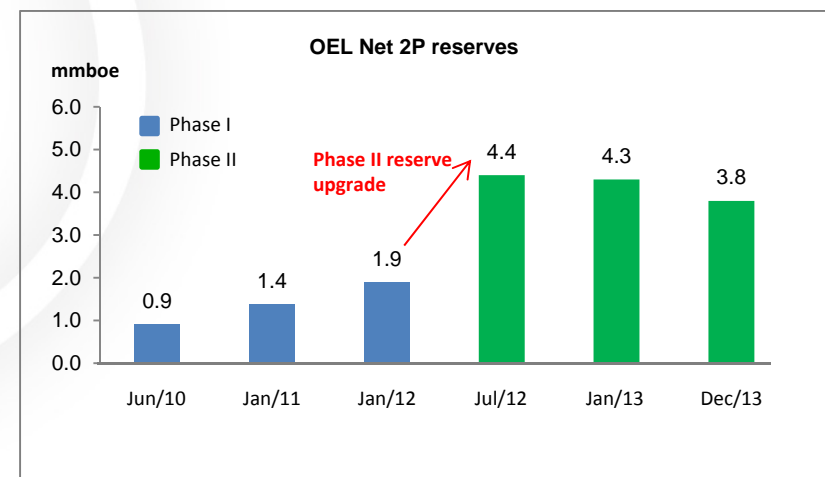
# SC14C Galoc Field (Otto 33% Operator): Reliable Production and Reserves



- Successful delivery of major upgrade in 2013 underpins strong production performance in 2014 – six cargoes delivered in six months to June 2014
- Currently evaluating options for further exploration, appraisal and incremental development at the Galoc field
- Underpins cashflow generation and exploration expenditure
- Field life extended out to ~2020
- Marketable product: 35° API oil, low sulphur crude easily placed into Asian market priced against Dubai benchmark plus premium

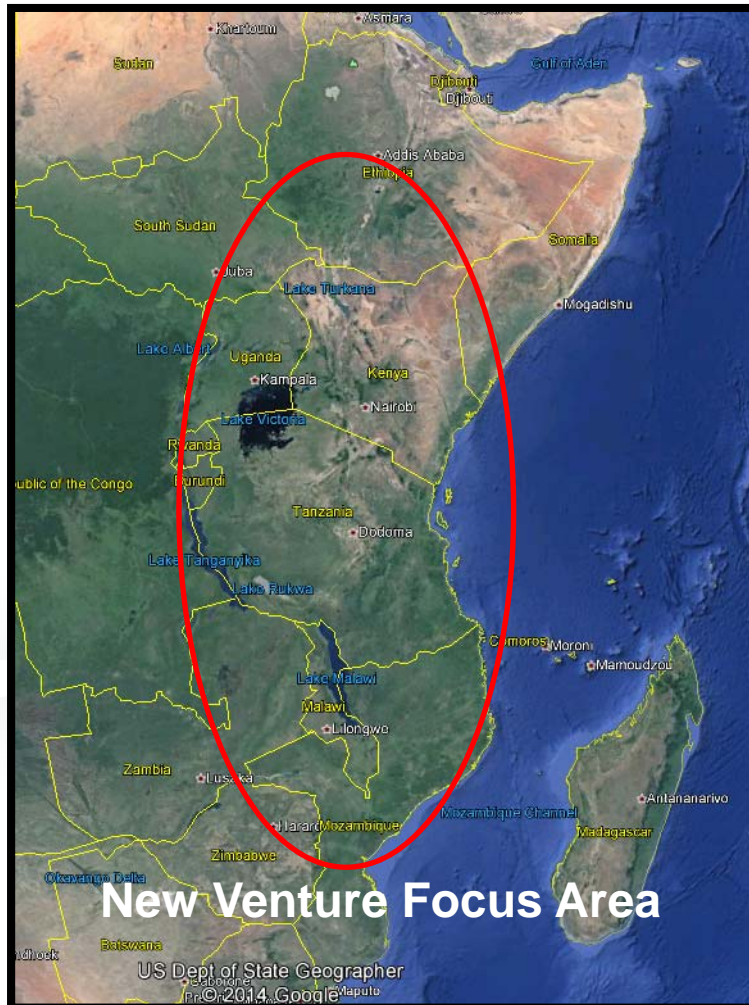


Note: Otto has a 33% working interest in gross field production



Note: Reserves net to Otto at time of reserve report.

## Otto's East African Search Begins 2010-2011



### 2010-2011

East African New Venture search commenced in earnest in late 2010. Surprisingly despite the now significant Neogene Rift Play discoveries in Uganda at Lake Albert, acreage in some adjoining countries in similar geological settings could still be accessed by direct negotiation with host Governments.

Between 2005 and 2012 interest in East Africa gradually increased, but outside the Lake Albert region most acreage was licenced to small companies who had limited capital to undertake work commitments

One notable exception to this trend was the large acreage portfolio being assembled by Tullow and Africa Oil in Kenya and Ethiopia

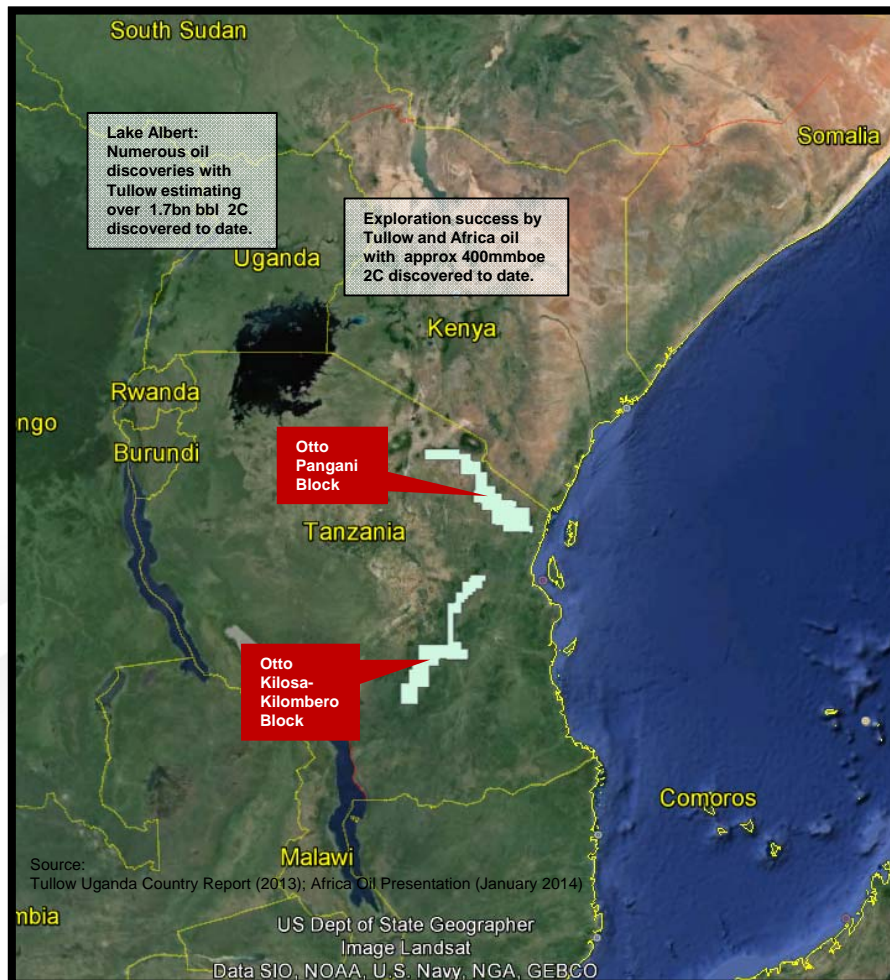


## Tanzania (Otto 50% WI):

### Otto's Tanzania Position is a Material First Step



#### Exploration success and Otto acreage



#### 2012

Otto together with Swala Energy secures by direct negotiation 50% interest in two greenfield exploration blocks onshore Tanzania, each approximately 17,500 km<sup>2</sup> in area: the Pangani and Kilosa Kilombero PSAs.

Blocks are considered prospective by Otto and Swala largely on the basis of regional gravity data indicating the presence of rift basins of unknown age. Conventional geological thinking at this time suggests the rifts are Permian in age and gas prone at best.

In May, Africa Oil and Tullow discover oil at Ngamia-1 in the North Kenyan Lokichar Basin in sediments of Neogene age similar in character to those hosting the large oil accumulations at Lake Albert in Uganda.

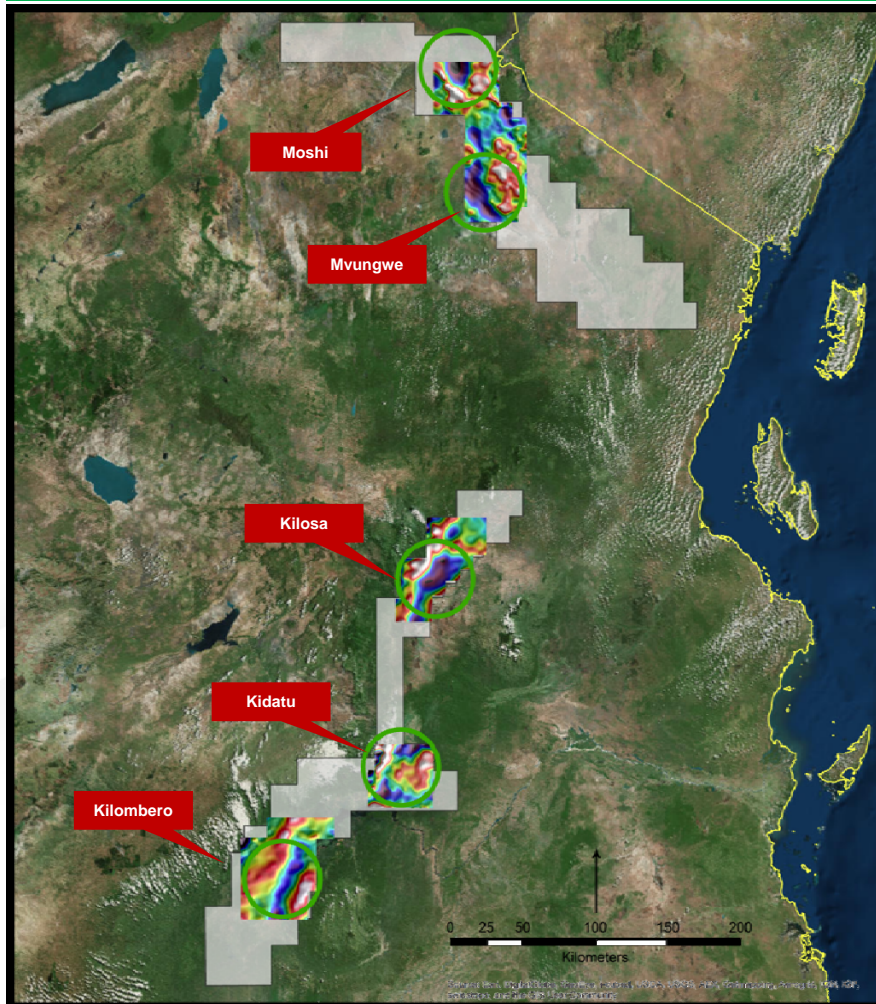
The following 6 wells on exploration prospects in the Lokichar Basin are all oil discoveries. A second Neogene East African rift oil province is born.

## Tanzania (Otto 50% WI):

### Otto's Tanzania Position is a Material First Step



#### Otto acreage with key basin areas highlighted



#### 2012

Otto and Swala (operator) acquires airborne gravity and magnetic data over both permit areas in Tanzania.

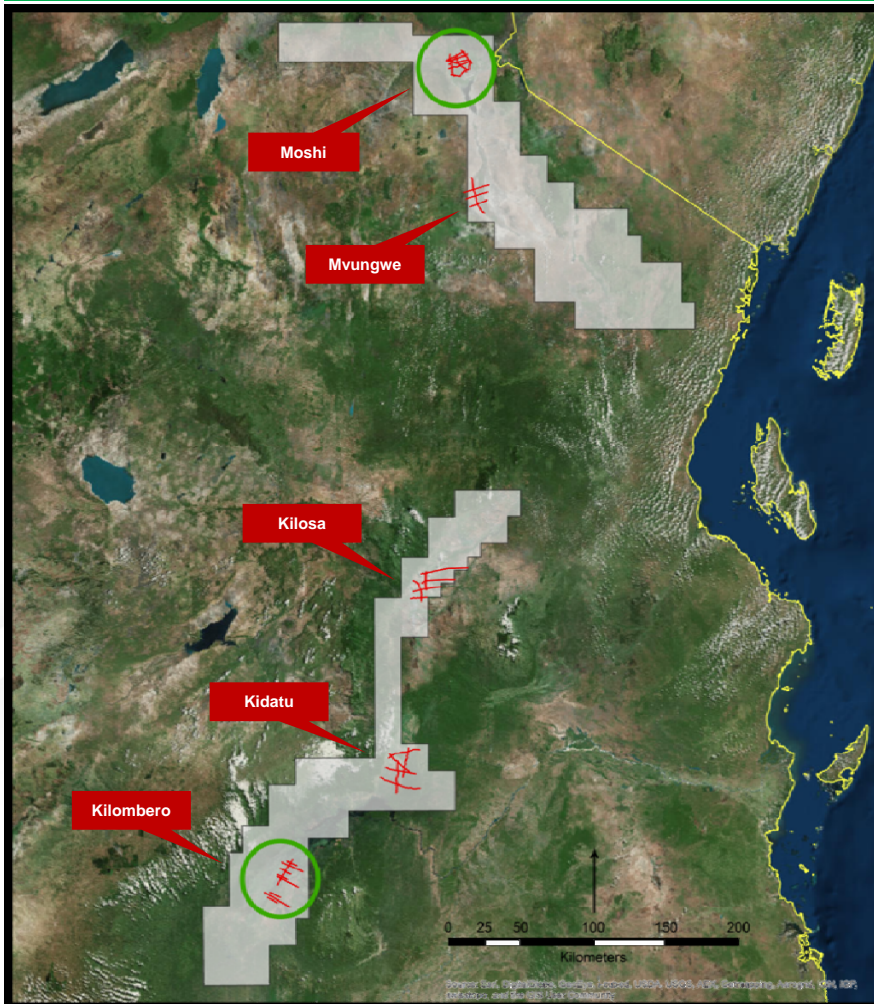
Results suggest the presence of five separate basin areas which will form the target for regional seismic acquisition during 2013.

Exploration in the Lokichar Basin continues at pace and the contingent resource estimates grow rapidly.

The high success rates at Lake Albert and now the Lokichar Basin area capture the interest of host governments and the industry at large. **This was the second phase of exploration excitement to grip the region.**



## Otto's Tanzania Position is a Material First Step



Otto and Swala acquire regional seismic data over their 5 separate basin areas: Mvungwe, Moshi, Kidatu, Kilosa and Kilombero.

The Joint Venture is encouraged by positive seismic results to move forward in both blocks and commits to a drilling phase.

Host Governments effectively stop awarding new acreage by direct negotiation. Petroleum laws are revised. Fiscal terms and work programs are toughened.

Some small poorly-funded companies default and lose their exploration rights. Others sell down or out to Mid Caps who are now entering the market.

## Tanzania (Otto 50% WI):

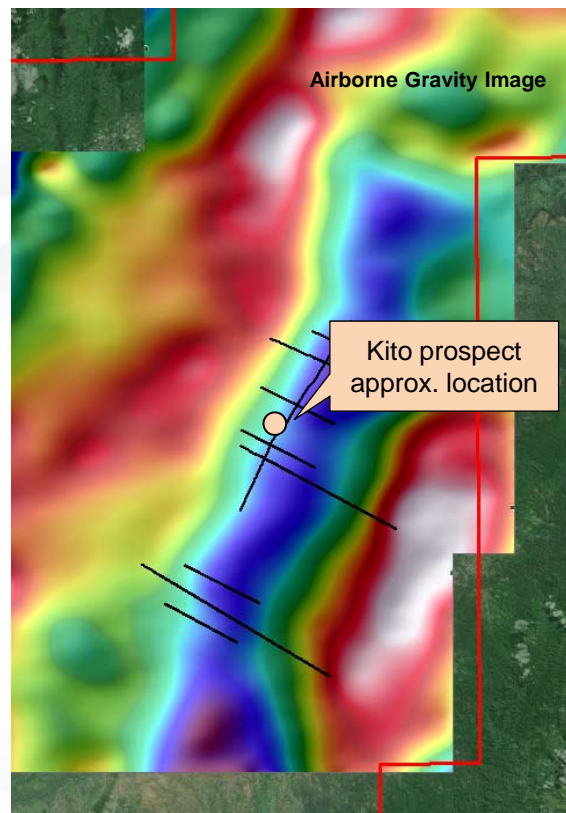
Seismic indicates Kilombero Basin is analogous to the Lokichar Basin in Kenya



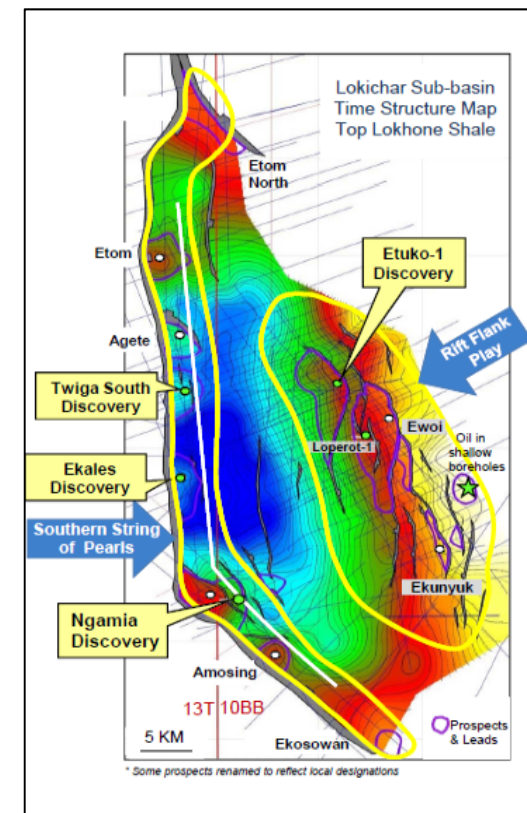
### Kilombero Basin appears analogous to the Lokichar Basin in Kenya

- Kilombero interpreted as Neogene-age basin with a depth to basement in excess of 3,000m
- Comparison with Lokichar Basin identifies similar:
  1. Depositional geometries within the basins
  2. Potential trapping geometries, basin size and depth
  3. Interpreted sediment age

### Tanzania: Kilombero Basin



### Kenya: Lokichar Basin and exploration status



Source: Africa Oil

Basin Comparison at approximately the same scale

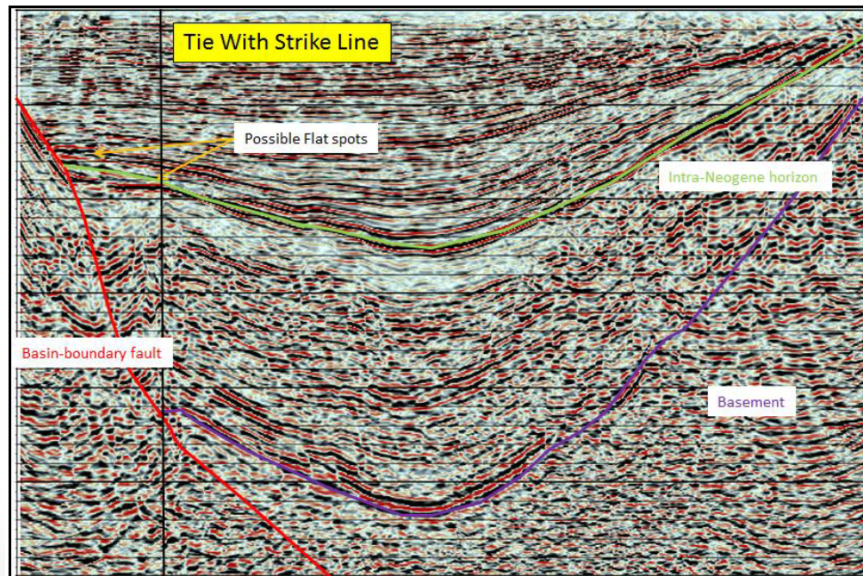


## Tanzania (Otto 50% WI):

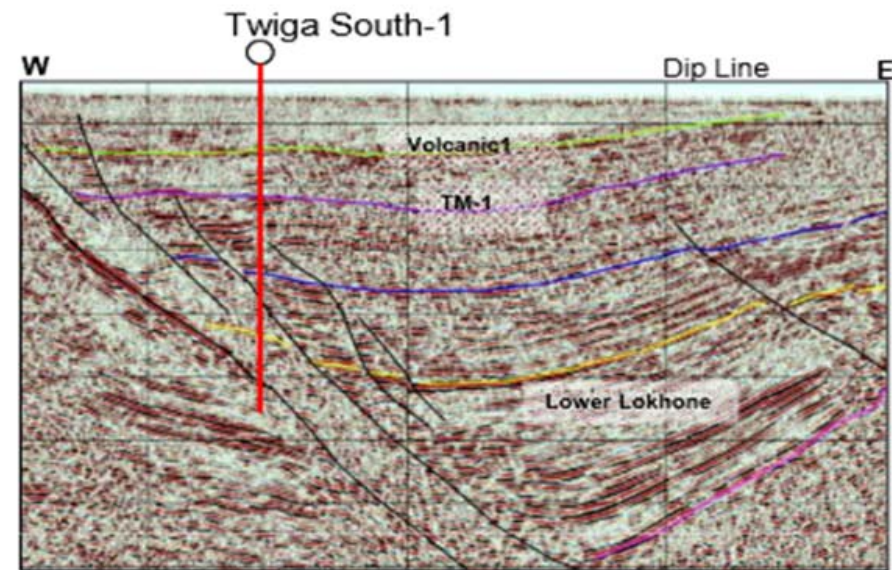
Kilombero Basin exhibits structural and depositional geometries similar to those in the Lokichar Basin



### Tanzania: Kilombero Basin



### Kenya: Lokichar Basin



Source: Africa Oil

The proven play trend in the Lokichar Basin, Kenya, demonstrates large structural highs with multiple stacked pay zones adjacent to the basin bounding fault. Initial 2D seismic in the Kilombero Basin indicates that the Kito prospect is analogous to these style of discoveries.

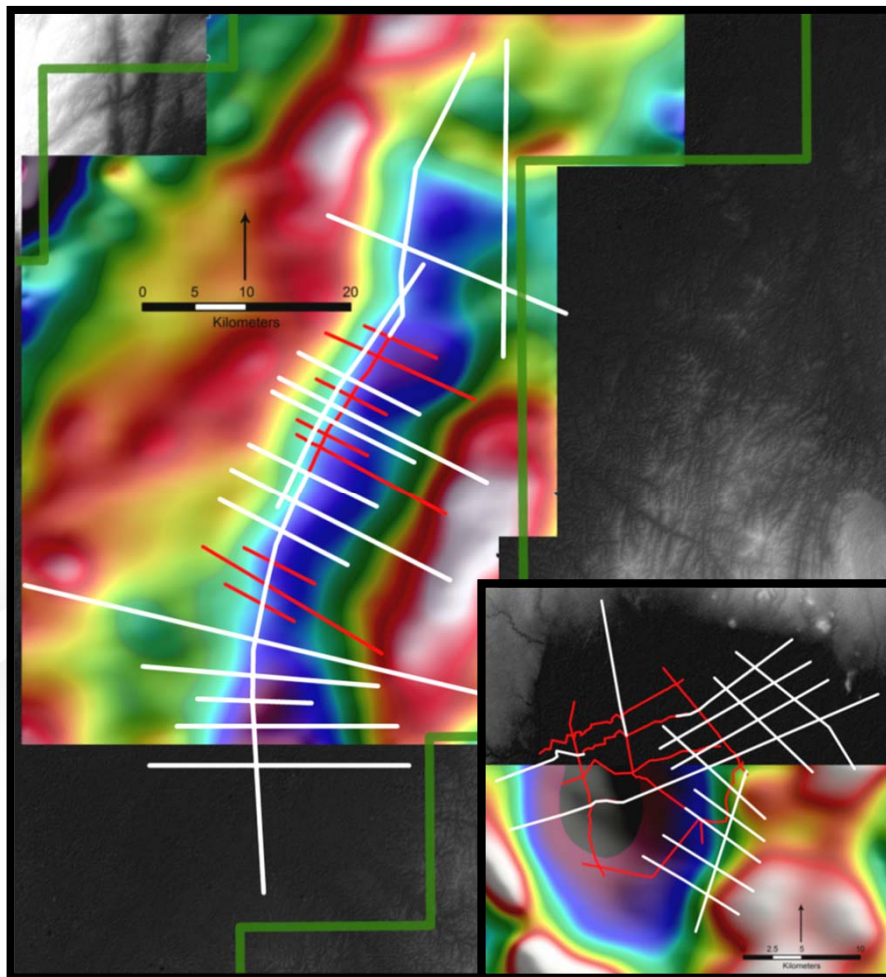
This is demonstrated above in the seismic lines acquired through the Kilombero Basin and the Lokichar Basin

## Tanzania (Otto 50% WI):

### Otto's Tanzania Position is a Material First Step



#### 2014 Infill Seismic Program in Moshi and Kilombero



#### 2014

The Joint Venture will acquire detailing seismic in the Kilombero and Moshi Basins during Q3/4 2014 in preparation for drilling in 2015.

Otto increases its search capability to help identify new and emerging opportunities within and on the fringes of the developing petroleum areas

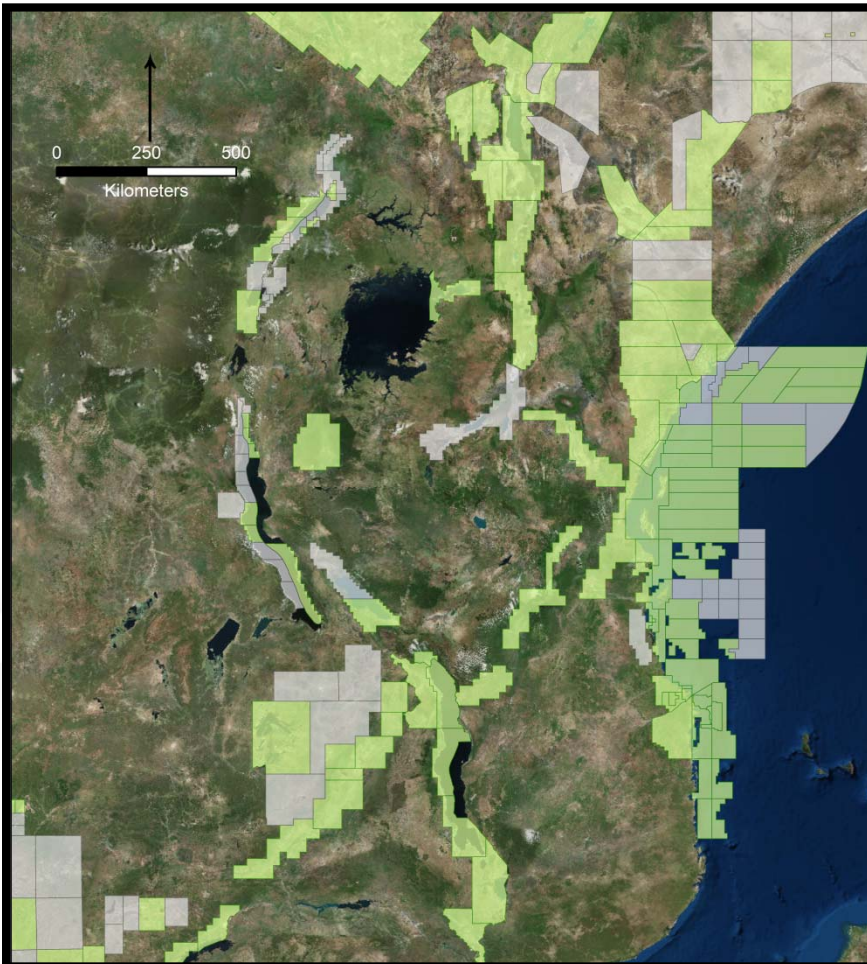
Competition for acreage intensifies particularly adjacent to known discovery areas but again the small companies are out in front capturing blocks distant from infrastructure where larger players will not take the risk



## Predicting the Future ?



### Exploration Blocks and Open Acreage



#### 2015

The Joint venture plans to drill an exploration well in each of their two permits in Tanzania and given success the companies will be transformed from small caps to a mid caps overnight.

Shareholders will be delighted!

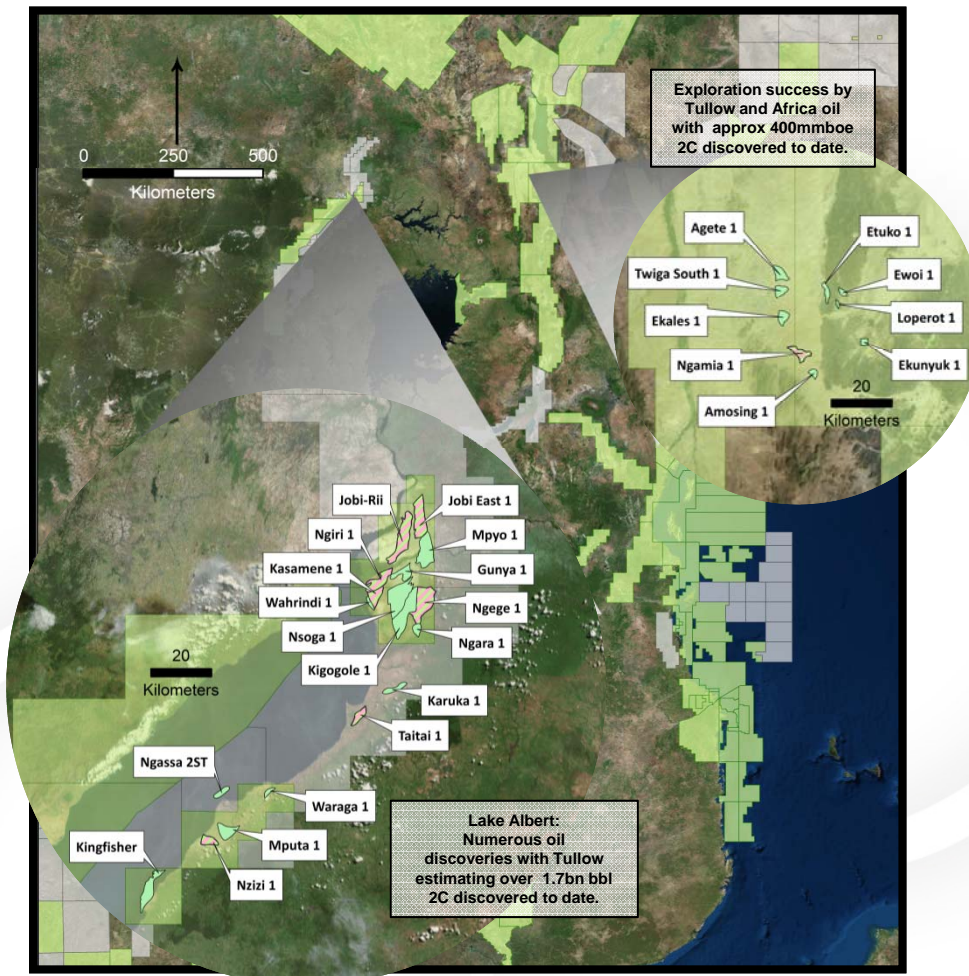
Careful ongoing technical work will identify additional permits which Otto will take equity in and provide a varied and robust drilling sequence in East Africa for years to come.

With drilling success in Uganda, Kenya and Tanzania industry focus on the region will intensify even further. Acreage values will soar. Small players will be replaced by larger capitalised companies and the former will be forced to work the marginal areas which will hopefully provide the next raft of greenfield drilling opportunities.

## What Have We Learnt So Far ?



### In East Africa as an Industry we are just getting started



East Africa both on and offshore is a very under explored region

During 2012-13 a significant amount of new global discovered resource came from the East African region

Small companies often lead the way taking risk that the larger organisations are not prepared to take

As exploration success is achieved smaller companies are either bought out or pushed to the fringes of the play fairway

It is likely that the next significant discovery area will be highlighted by a small company so please don't shut them out!

# THANK YOU

**Otto Energy Ltd**  
32 Delhi Street  
West Perth  
Western Australia 6005

Telephone: **+61 8 6467 8800**  
Facsimile: **+61 8 6467 8801**  
**[info@ottoenergy.com](mailto:info@ottoenergy.com)**