

ASX : OEL



***Divestment of Galoc Production Company WLL  
& Capital Return to Shareholders***

**22 September 2014**

# Disclaimer



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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 consultants 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.

# Transaction Background



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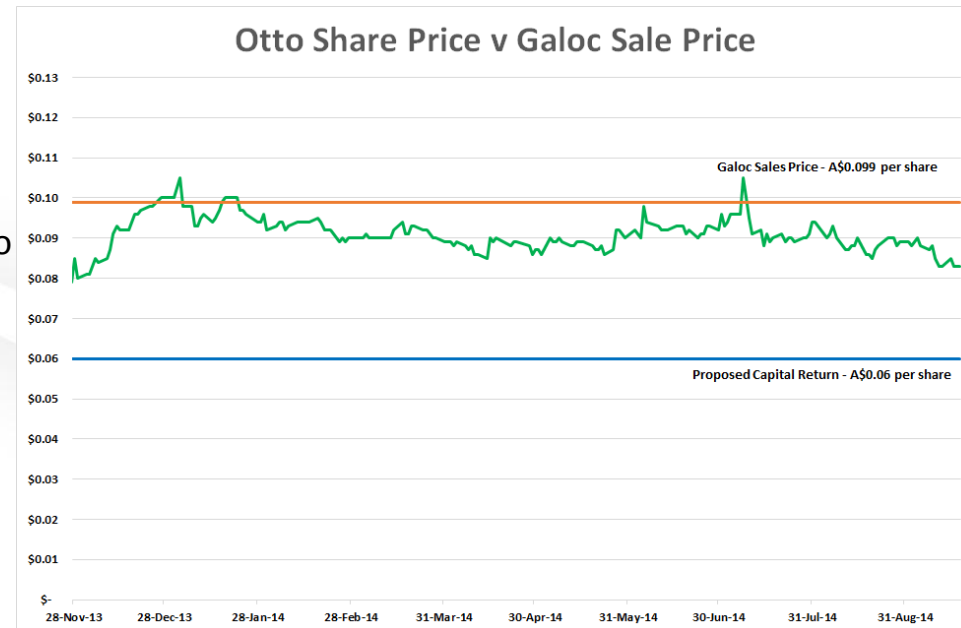
- Otto has executed a Sale and Purchase Agreement (SPA) to divest all of its shares in the Galoc Production Company WLL (GPC) to Risco Energy Investments Pte Ltd (Risco)
  - GPC holds a 33% interest in the Galoc oil field (Galoc Interest)
- Under the SPA, Risco has agreed to pay Otto US\$101.4 million
- The offer from Risco provides an excellent and timely opportunity to unlock the value of the Galoc Interest
- Allows monetisation of the value of the Galoc Interest for the direct benefit of shareholders, through a proposed capital return of A\$0.06/share
- Otto will seek shareholder approval for the transaction at a shareholder General Meeting to be held no later than December 2014, with Notice of Meeting to be issued to shareholders in due course
- Assuming shareholder approval, and other non-regulatory consents are obtained, Otto expects the transaction to complete around December 2014

# Highly Attractive Deal Terms



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- Otto to receive a price of US\$101.4 million
  - Adjusted for net proceeds received by Otto from the effective date of the transaction (1 July 2014)
  - US\$10.14m deposit has been received.
  - Final Proceeds payable at completion, expected to be December 2014
  - Risco to assume production rights and liabilities (including abandonment costs)
  - Galoc workforce to be fully transferred to Risco
- US\$101.4 million considerably exceeds balance sheet value of US\$74.6 million <sup>1</sup>



1. Unaudited and net of abandonment liability as at 30 June 2014

## Divestment Proceeds: US\$101.4 million

**US\$62 million**

### PROPOSED CAPITAL RETURN TO SHAREHOLDERS

- \$0.06/share to be returned to shareholders
- Demonstrates Otto's commitment to providing value to shareholders
- Provides substantial return to shareholders during a challenging equity market

**US\$39 million**

### WORKING CAPITAL INJECTION

- Net cash balance to fully fund all activities for two years
- High impact exploration program planned, including several exploration wells across Philippine and Tanzania blocks
- Further new acquisitions will be considered, particularly opportunities located in the East Africa Rift System

# Otto value proposition post divestment



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## Strong Financial Position

### > US\$105M IN CASH AND DEBT FREE

- >US\$105 million in cash available following the sale of Galoc
- \$0.06/share to be returned to shareholders
- Full funding for exploration program for two years
- Company is debt free
- Divestment minimises the risks relating to future cashflow generation

## Tanzania Exploration

### NEW, HIGHLY PROSPECTIVE FRONTIER REGION

- Exploration program, including 2 wells, fully funded for two years
- 2D seismic program already commenced – intention to add value to current prospect inventory
- Kito prospect already mapped in Kilombero Basin – Net prospective resource 60.4 MMbbl to Otto
- Further acquisitions will be considered, particularly East Africa Rift System opportunities

## Philippines Exploration

### HIGH WORKING INTEREST WITH SIGNIFICANT FUNDING COMMITMENT

- 93.18% working interest with US\$24.5 million in committed funding (following BHP Billiton withdrawal)
- Farm-out campaign underway – two potential farm-in candidates in discussions
- Multiple drill-ready prospects at Hawkeye and Cinco with follow-up potential



# Capital Return to Shareholders



- Otto proposes to pay a capital return to shareholders of A\$0.06 per share in cash
- Capital return allows Otto shareholders to participate in substantial upside delivered from the divestment transaction
- Capital return is subject to approval by shareholders
  - Otto will seek a Class Ruling from the Australian Tax Office to confirm tax implications for shareholders
- Assuming all approvals are successfully obtained, Otto anticipates payment of the proposed capital return late Q4 2014 or early Q1 2015.

# Transaction Rationale



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## *Right Price*

- **Monetisation** and **maximisation** of the value created by Otto at Galoc
- Price is at top-end of valuations and a 36% premium to the balance sheet value
- \$0.10/share value of the headline price exceeds current share price by approximately 19%

## *Right time*

- **Galoc's position in its lifecycle** – successfully delivered Phase II Development project and maximised production rates
- Future development to maintain production rates will expose Otto to financial and execution risk
- Otto will actively pursue high impact exploration in Tanzania and the Philippines
- Otto's share price has not reflected inherent value of Galoc Interest since the Phase II Development project was completed in late 2013

## *Aligns with Strategy*

- Transaction creates the opportunity to reward shareholders with **proposed Capital Return**
- Sale is strongly aligned with the primary strategy of adding value for the direct benefit of shareholders
- Board is unanimously in favour of the transaction, in the absence of a superior proposal



**Otto's strategy to be an integrated petroleum company remains unchanged.**

We will continue to build shareholder value through successful exploration, which we aim to convert into production.

## Credible Strategy

- Conventional petroleum exploration
- Clear geographical focus - Philippines and East Africa Rift System ("EARS")
- Early mover advantage, with material interests in all permits

## Philippines (Exploration)

- High impact exploration in SC55; two drill-ready targets with Hawkeye and Cinco
- US\$24.5 million funding from BHP Billiton (BHPB) for Otto is a key enabler for the first well
- Currently negotiating with two potential farminees to partner for SC55 drilling campaign

## East Africa Rift System (Exploration)

- Established position represents material exposure to highly prospective region
- Existing acreage (Kilosa-Kilombero and Pangani) in Tanzania – 2D seismic identified clear structures
- Acreage covering rift arms with characteristics similar to parts of EARS with exploration success
- Mature existing acreage to drill phase in 2015 and seek to acquire interests in more blocks

## Strong Capital Structure

- Substantial cash position of >US\$105 million – fully funded for all activities for two years
- Self funded exploration mitigates capital market risk
- Limited leverage in group structure

## Experienced Management Team

- Experienced management team with proven exploration and operational expertise
- Track record of disciplined financial management and value creation for shareholders
- Cohesive team, which is aligned on strategy

# Clear Regional Focus

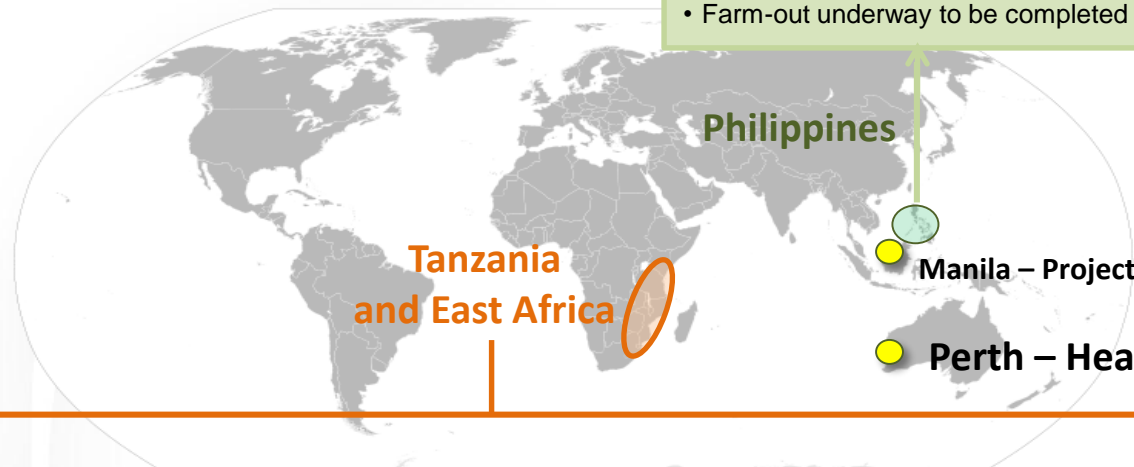


Focus on conventional hydrocarbon exploration and production within South East Asia and the East Africa Rift System (“EARS”)

1

## **Philippines Exploration** **SC55 (Hawkeye/Cinco)**

- 93.18% WI and operator
- Deep water exploration
- 2 drill ready prospects with Cinco & Hawkeye
- US\$27.5m funding by BHBP<sup>1</sup>
- Farm-out underway to be completed in 2014



Manila – Project office

Perth – Head Office

2

## **Tanzania Exploration** **Kilosa-Kilombero and Pangani**

- Focus on evaluating East Africa Rift System (emerging hydrocarbon province)
- 50% WI in 17,675 km<sup>2</sup> Kilosa-Kilombero Block and 17,156 km<sup>2</sup> Pangani Blocks
- Similar geological characteristics (basin age and structure) identified in 2013 2D seismic program to Lokichar Basin and Lake Albert
- Early 2D seismic identified the significant Kito prospect in Kilombero Basin

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## **EARS Exploration** **Further Growth**

- Otto is seeking to complement and diversify by acquiring new acreage in EARS

# Tanzania (Otto 50% WI):

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



### History

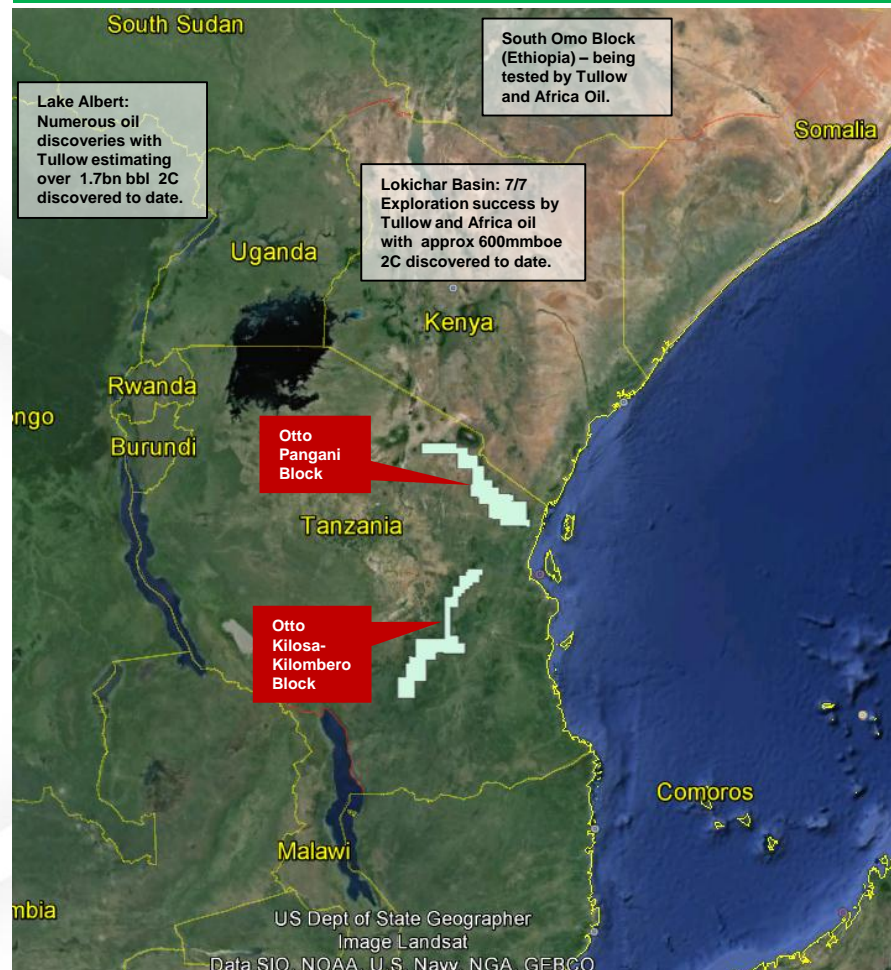
- Pre 2006 - No material exploration success
- 2006 - First discovery in Uganda
- 2008-09 - Further discoveries result in >1.5 Bn boe prospective resources in Uganda
- 2012 - First two modern wells in Kenya successful
- 2013 - Three further discoveries in Kenya  
- Exploration expands into Ethiopia
- 2014 - 2 further discoveries in Kenya

### Results to date:

- Uganda - 66/79 successful wells  
- 11 Fields  
- > 1.5 Bn boe discovered by Tullow and other participants
- Kenya - 7/8 successful wells by Africa Oil and Tullow Joint Venture  
- Approx 600mmboe 2C discovered

Source:  
Tullow Uganda Country Report (2013); Africa Oil Presentation (January 2014)

### Exploration success and Otto acreage





# Tanzania (Otto 50% WI):

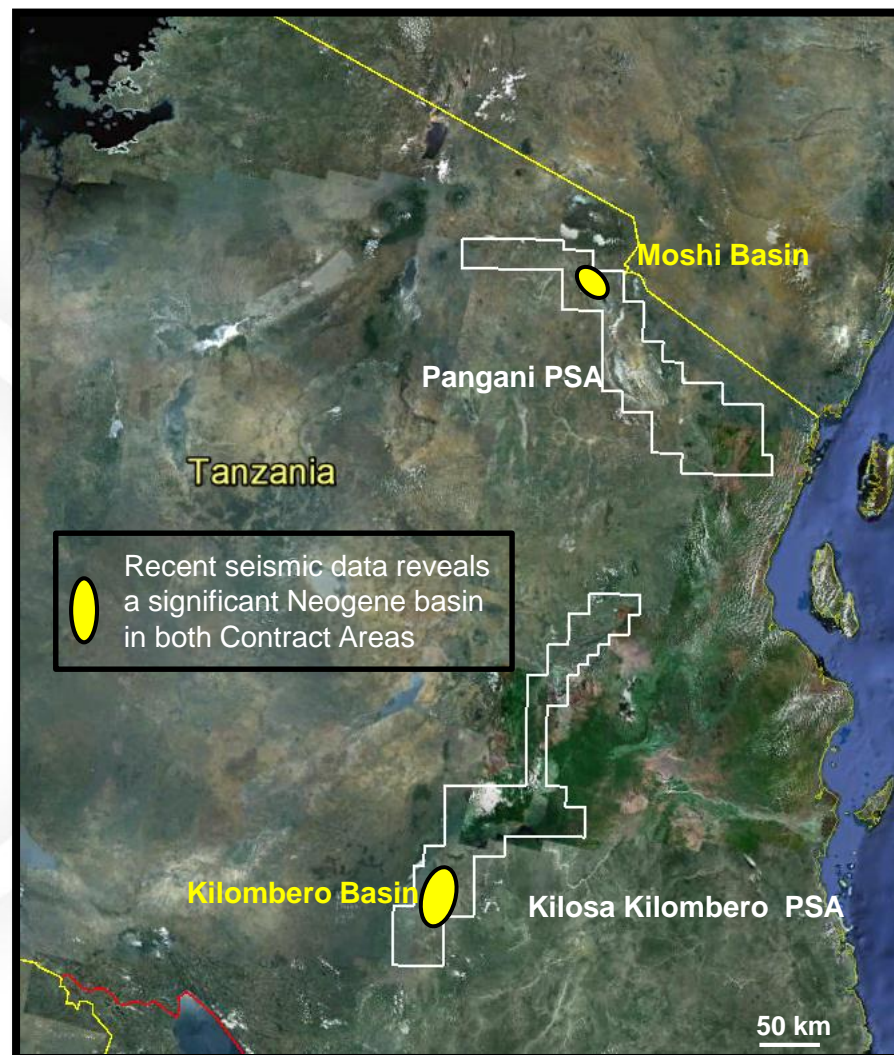
## High WI in permits covering prospective basins



### Work completed to date has provided encouraging results

- 2012: Completed airborne gravity, magnetic surveying and sampling over Kilosa-Kilombero and Pangani – **five potential basin areas identified**
- 2013: Completed seismic over the three Kilosa-Kilombero basins and two Pangani basins
  - **Kilosa-Kilombero:** Neogene basin defined, Kito prospect identified, potential for further targets indicated.
  - **Pangani:** Moshi area has been identified as being location of significant Neogene-aged basin. No drillable prospect identified yet
- 2014: Completing 2D seismic acquisition over Kilombero and Pangani and identifying a drillable prospect in Pangani

Block	Otto (WI %)	JVP	Size (km <sup>2</sup> )
Kilosa-Kilombero	50%	Swala Oil and Gas (Tanzania) Limited: (operator) 50%	17,675
Pangani	50%		17,156



# Tanzania (Otto 50% WI):

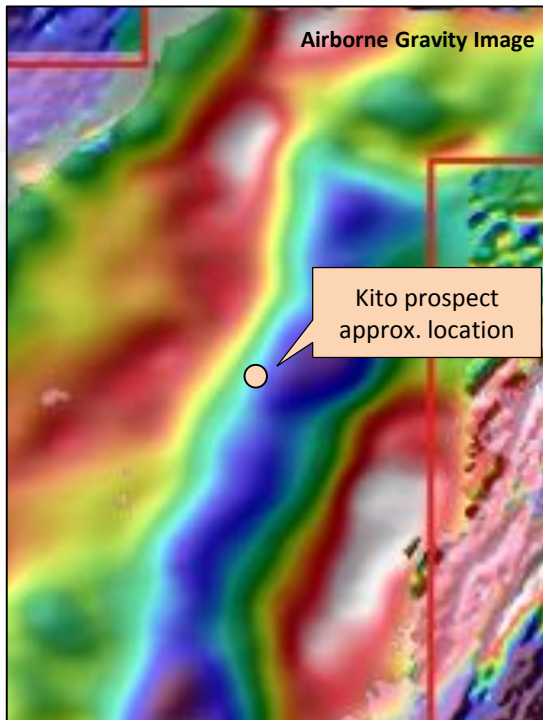
## Kilombero Basin analogous to Lokichar Basin



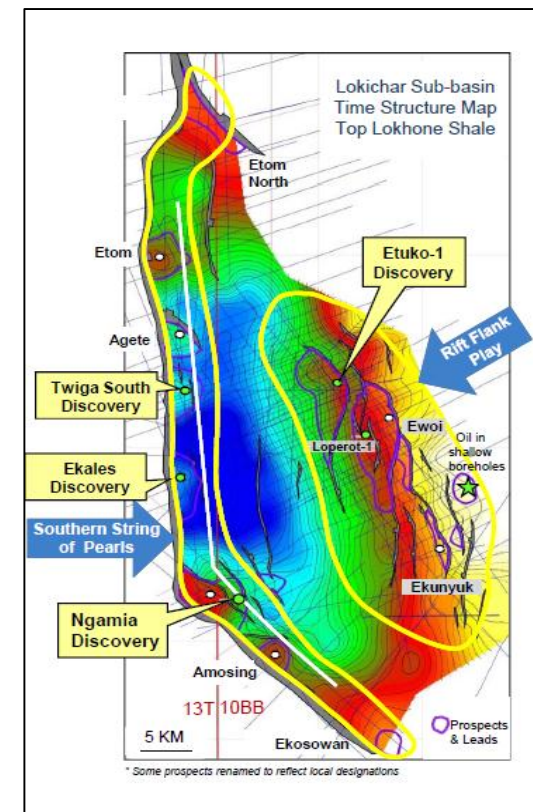
### Kilombero Basin appears analogous to the Lokichar Basin in Kenya

- 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

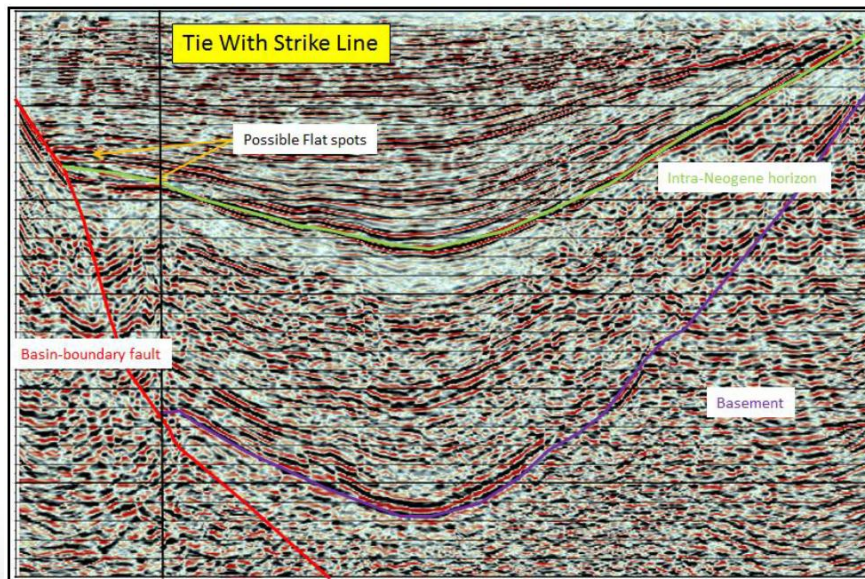


# Tanzania (Otto 50% WI):

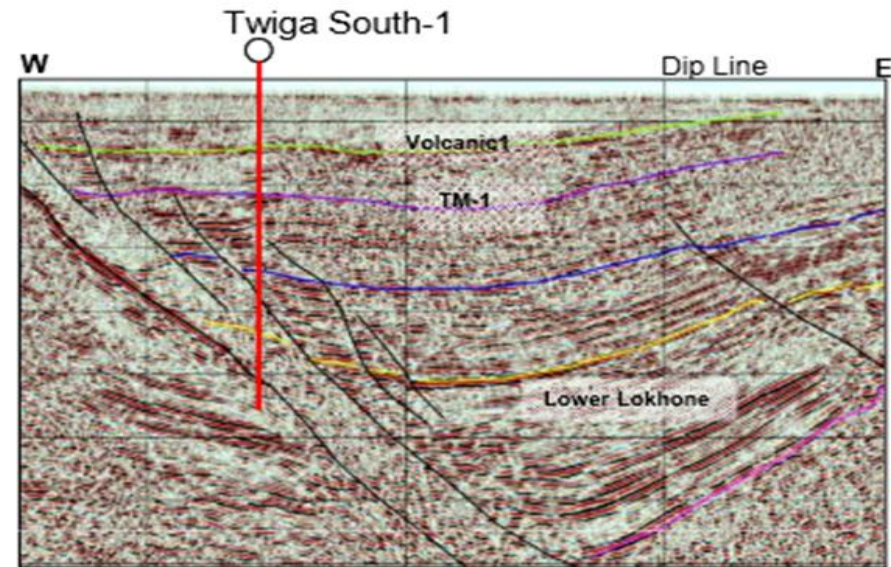
Kito prospect “best estimate” 60.4 MMbbl Net  
Prospective Resource



## Tanzania: Kilombero Basin



## Kenya: Lokichar Basin



Source: Africa Oil

	Low Estimate (P90) (MMbbl)	Best Estimate (P50) (MMbbl)	High Estimate (P10) (MMbbl)
Gross undiscovered unrisks oil in place	193	596	1,602
Gross prospective unrisks oil resources	48	151	424
Net of Government back-in rights	38.5	120.8	339.2
OEL	19.2	60.4	169.6



# SC55 (Otto 93.18% Operator): High Impact and Drill Ready Prospects



## SC55 Permit Status

- Otto is operator with 93.18% interest
- Sub-Phase 4 contains a commitment to drill 1 exploration well by 23 December 2014

## Exploration and Drill Targets

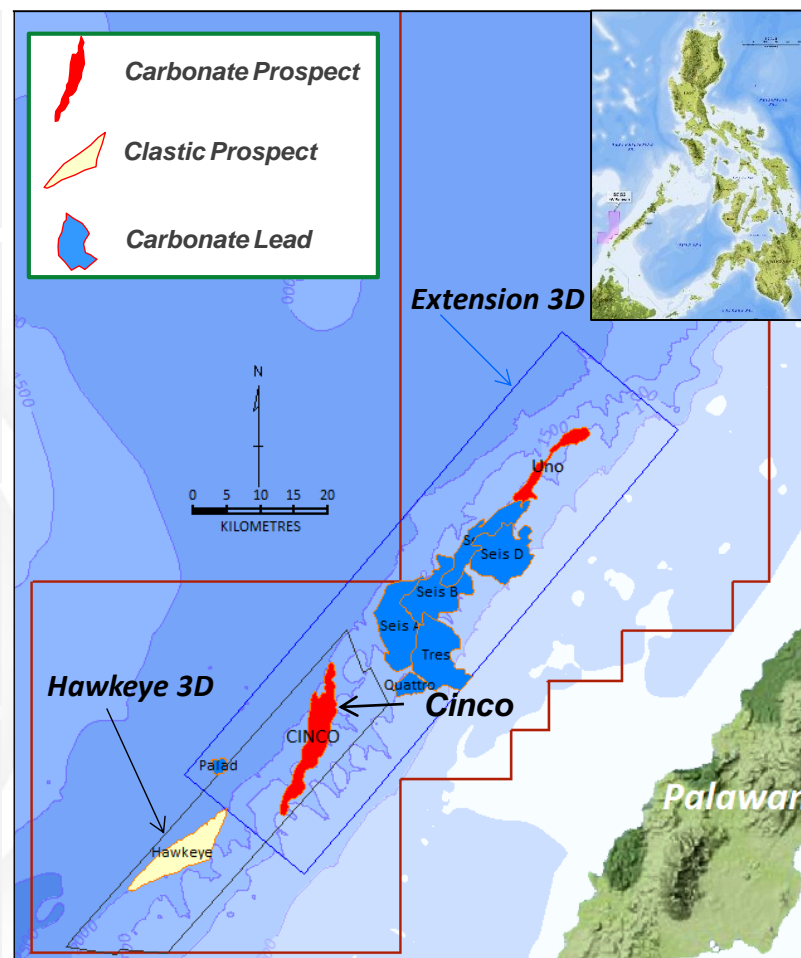
- No wells have yet been drilled
- Drill ready, high impact prospects have been defined by 3D seismic. Net prospective resources are:
  - Hawkeye (15-318 mmboe oil target)<sup>1</sup>
  - Cinco (0.5-3.4 TCF gas target)<sup>1</sup>

## Funding of Exploration Drilling

- US\$24.5m secured from BHPB for exploration drilling
- Farm-out process underway to manage portfolio and financial risk exposure

## Next Steps

- Secure farm-in partner – currently negotiating with 2 potential farm-in partners to join SC55 joint venture
- Execute drilling program



Note:

<sup>1</sup> Represent Otto 93.18% net working interest in prospective resources (see additional information)

## Additional Information

# Experienced Board & Management Team



## Board of Directors



**Rick Crabb – Chairman.**  
**BJuris (Hons), LLB, MBA**

Former energy, resources and corporate lawyer with over 25 years Australian and international experience. Chairman of Paladin Energy.



**John Jetter – Non-Executive Director. LLB, BEc INSEAD**

Former MD/CEO J.P. Morgan Germany. Non-Executive Director of Venture Minerals.



**Ian Boserio – Non-Executive Director.**  
**BSc (Hons)**

Former executive positions with Shell & Woodside in exploration roles.



**Ian Macliver – Non-Executive Director.**  
**BComm, CA, FFin, MAICD**

Managing Director Grange Consulting. Non-Executive Director of Western Areas and Select Exploration.



**Rufino Bomasang – Non-Executive Director.**  
**BSc, MBE**

Former President/CEO and current Non-Executive Director of PNOC-EC. Former Undersecretary of Energy for Philippines DOE.

## Senior Management



**Matthew Allen – Chief Executive Officer. BBus, FCA, FFin, GAICD**

Global exposure to the upstream oil and gas industry with 14 years experience in Asia, Africa, Australia and Middle East. Previous senior roles with Woodside over 9 year period. Previously held the role of CFO of Otto Energy.



**Paul Senyica – Vice President, Exploration and New Ventures. BSc (Hons), MAppSc**

International oil & gas experience gained over 30 years. Specific focus on Australia, South East Asia & Africa. Previous roles at Oilex (Exploration Manager), Woodside Energy (Head of Evaluation) and Shell International.



**Craig Hasson – Chief Financial Officer. BCom, CA, AGIA**  
Chartered Accountant with over 12 years experience in resources in Australia, Europe and Africa. Previous roles at Cairn Energy, Dragon Mining, Resolute Mining and Ernst & Young.



**Scott Blenkinsop – Chief Legal Counsel and Company Secretary. LLB**

20 years experience as a resources lawyer specialising in oil and gas with significant experience in Australasia, Africa, Asia, Americas and Europe. Previous roles at Woodside, INPEX, Chevron, Cooper Energy and Tap Oil.

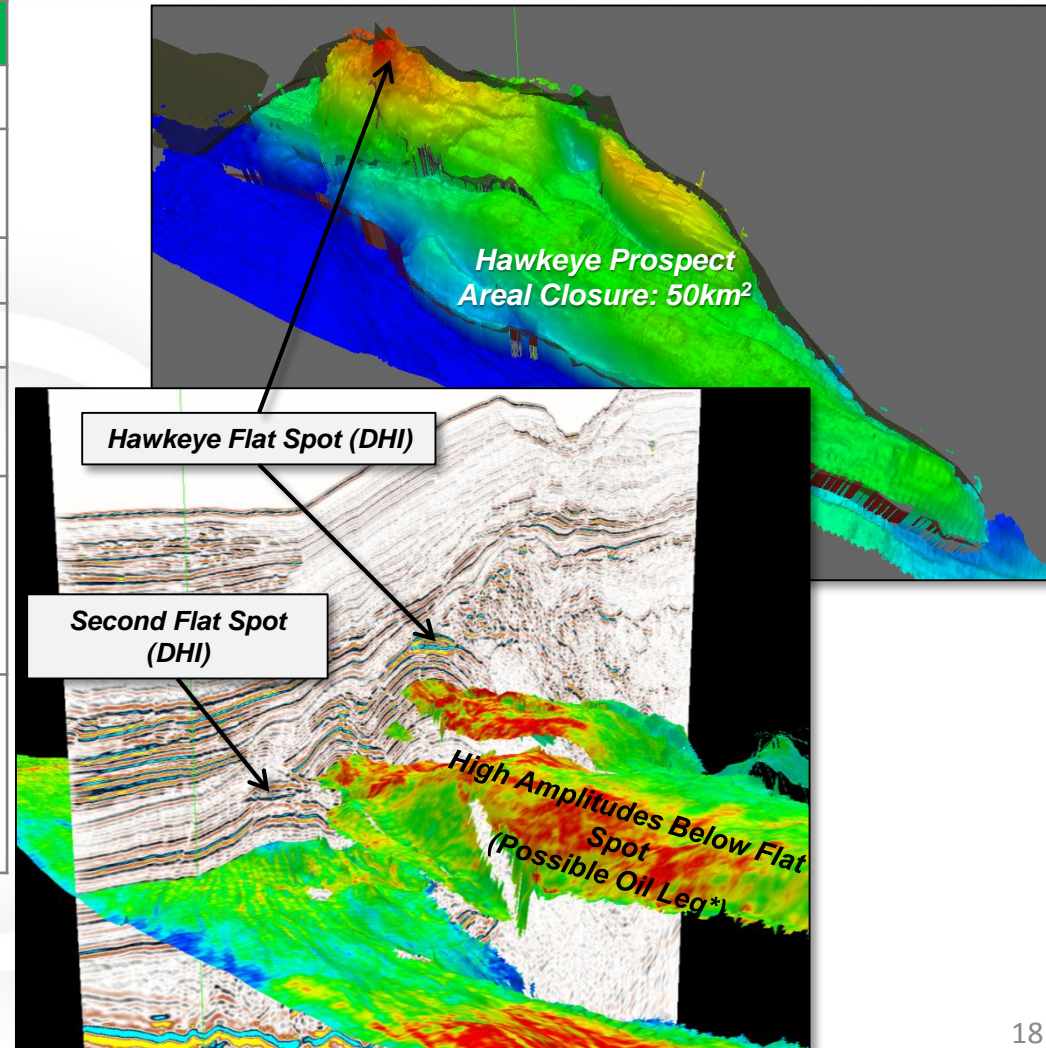
# Philippines Exploration:

## SC55 – Hawkeye Prospect



### Hawkeye Prospect

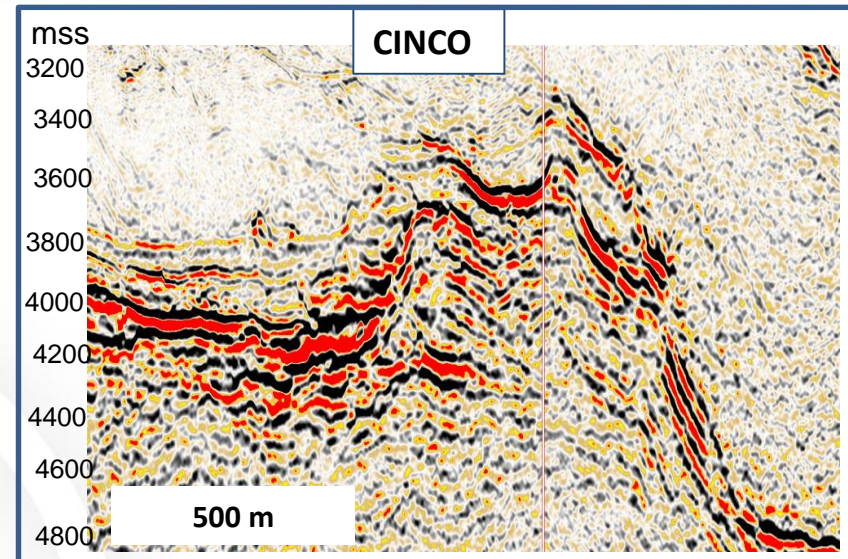
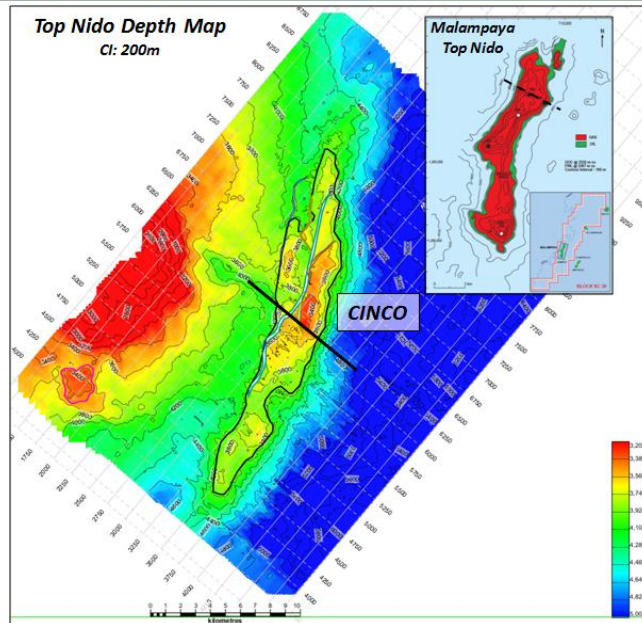
Location	Offshore, SW Palawan
Area of Closure	50 km <sup>2</sup> Up to 500m column height
Water Depth	1,690 metres
Objective Depth	2,750 metres
STOIIP, mmstb	87 - 484 - 1,539 (Low – Best- High)
Net Prospective Resource (*), MMbbl	15 - 89 – 318 (Low – Best- High) *Represent Otto 93.18% WI
Development	FPSO & Tanker Offtake. “Probable” Chance of development given Mid Case Discovery





# Philippines Exploration:

## SC55 – Cinco Prospect

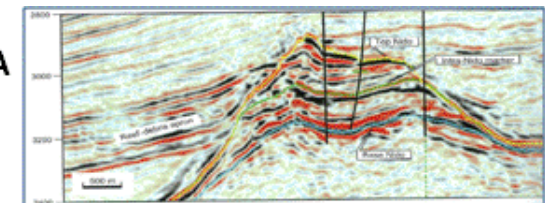


### Cinco Prospect

Area of Closure	53 km <sup>2</sup> Up to 500m column height
Water Depth	1,430 metres
Objective Depth	3,120 – 4,500 metres
GIIP	0.9 – 2.4 – 6.3 Tscf ((Low – Best- High)
Net Prospective Resource (*)	0.5 - 1.3 - 3.4 Tscf gas, plus (Low – Best- High) 16 - 45 - 132 MMbbls condensate (Low – Best- High) *Represent OTTO 93.18% WI

### MALAMPAYA

Same scale



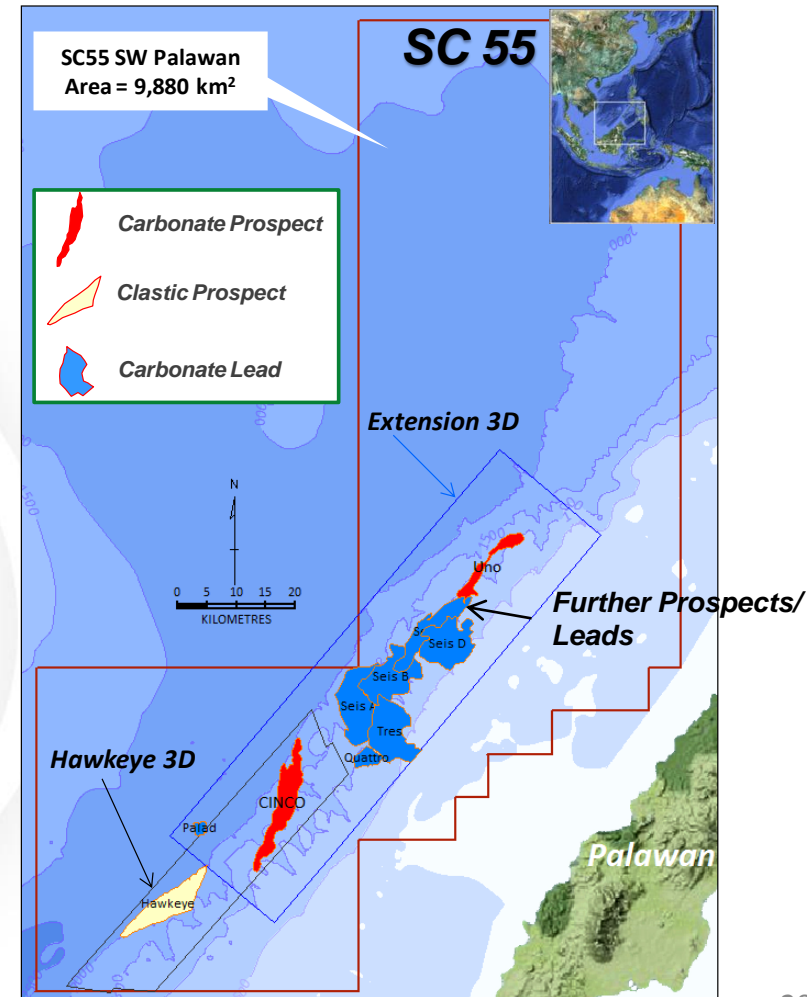
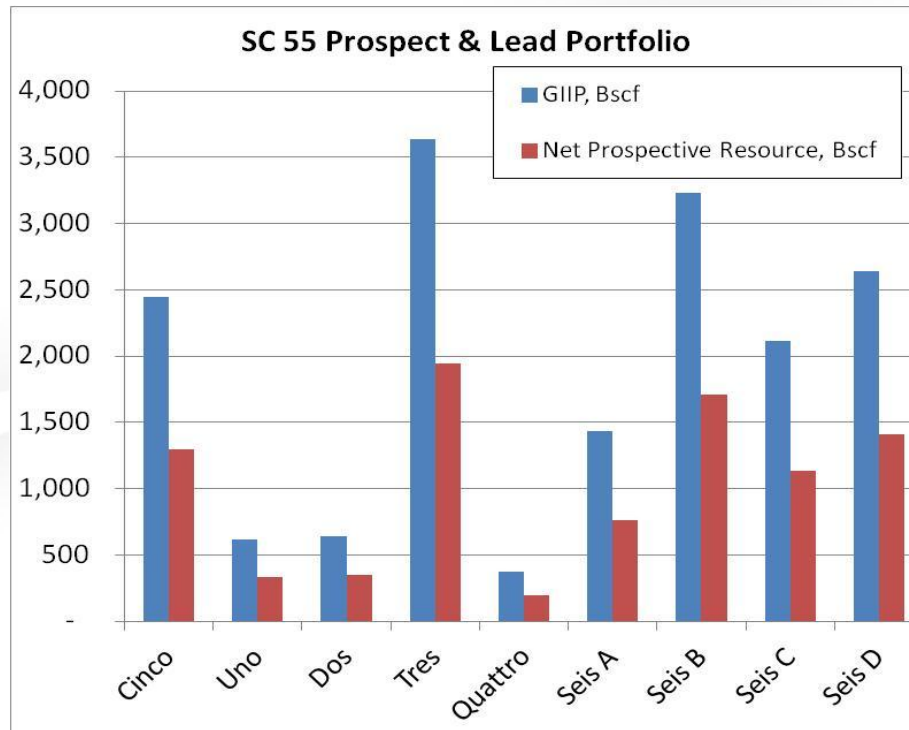
**MALAMPAYA (Northern Palawan)**  
• Proven Reserves 2.5 TCFG and 81 MMBC

# Philippines Exploration:

## SC55 – Additional Leads Post Hawkeye/Cinco

An **impressive gas and condensate portfolio**, developed on an emerging major regional trend, parallel to the island of Palawan Arithmetically Aggregated '**Best Estimate**'

- GIIP 17 Tscf
- Net Prospective Resource Gas 9 Tscf
- Net Prospective Resources Condensate 320 MMbbls

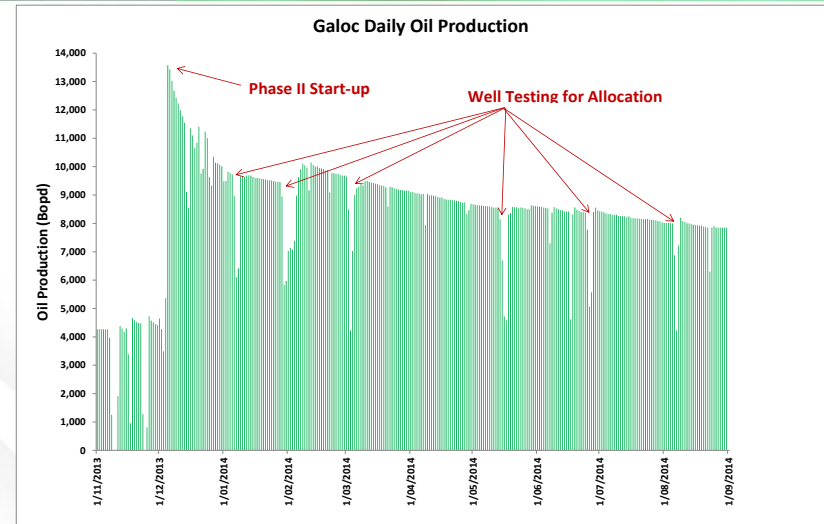




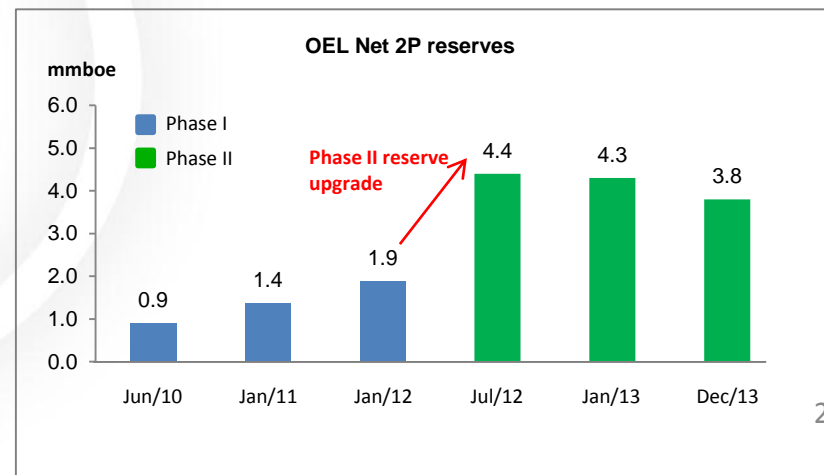
# SC14C Galoc Field (Otto 33% Operator): Reliable Production and Reserves



- 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



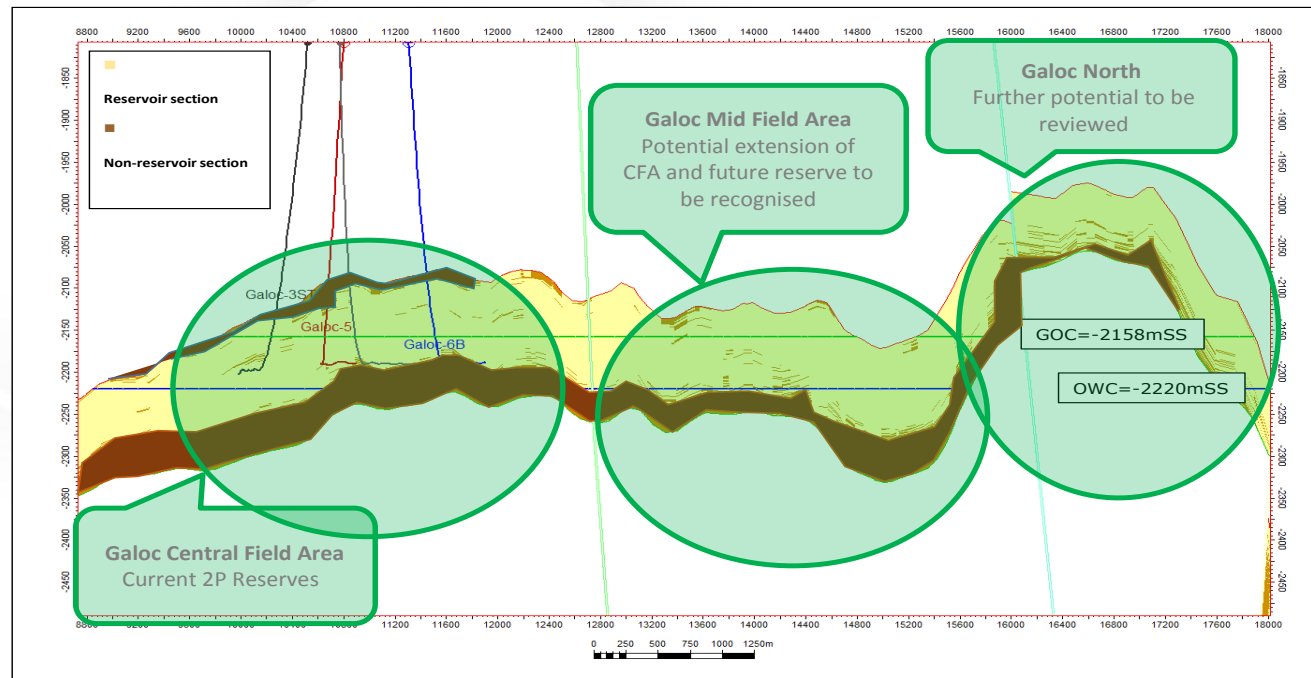
Note: Reserves net to Otto at time of reserve report.

# SC14C Galoc Field (Otto 33% Operator):

## Improved understanding of field structure and reservoir



- Incorporated Phase II drilling results into detailed analysis of the Galoc oil field
- Resulted in a clearer understanding of the structure and reservoir distribution between the Galoc Central Field area and the Galoc Mid and Galoc North areas.
- Analysis indicates an likelihood of greater rock volume to be present in Galoc Mid and North than previously understood – lends support to field extension existing in this area
- Further studies will be completed by Q4 2014, with a recommendation anticipated to the Galoc joint venture late 2014 or early 2015 regarding further activity, including additional drilling and infill activities



Galoc Oil Field – Stylised cross section through Greater Galoc field area

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