

9 January 2015

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

By E-Lodgement

SERVICE CONTRACT 55: PNOC-EC EXPRESSION OF INTEREST TO FARM-IN AND HAWKEYE EXPLORATION WELL PROGRESS

Otto Energy Ltd (ASX: OEL) ("Otto") is pleased to announce that PNOC Exploration Company (PNOC-EC) has expressed an interest in farming into SC55 for a 15% working interest.

The commercial terms of the farm-in have been agreed and will be finalised in a Farm-in Agreement to be entered into by Otto and PNOC-EC. The farm-in is only subject to approval by the Office of the President of the Philippines.

In addition to PNOC-EC, Otto continues to engage with other potential farm-in partners in the lead up to the drilling of the Hawkeye-1 exploration well, which is anticipated to take place during Q3 2015.

Otto has entered into commitments for long lead items required to drill Hawkeye-1, including well heads and casing. The equipment required is currently available in SE Asia and can be sourced prior to the anticipated drilling window.

Otto is also seeking expressions of interest for drilling rigs suitable to drill Hawkeye-1. Final commitment to a drilling rig will be considered subject to suitable commercial terms being negotiated and completion of the farm-out program.

Hawkeye is a high impact opportunity, well defined on modern high quality 3D seismic and demonstrating an amplitude response consistent with a significant oil prospect. Hawkeye has a Best Estimate Oil In Place volume of 480 MMbbl and Best Estimate recoverable volume of 74 MMbbl net to Otto, post farm-down to PNOC-EC. There is further material upside contained in other identified prospects and leads in SC55.

Matthew Allen, Otto's CEO said: "Otto Energy is very pleased to welcome a partner of the quality of PNOC Exploration Company into SC55. PNOC-EC bring substantial experience in the Philippines oil and gas industry to the SC55 joint venture. We look forward to progressing the high impact exploration program with the Hawkeye-1 well in SC55 with PNOC-EC and our joint venture partners. Otto notes that the cost of this upcoming exploration program is likely to be considerably reduced as weaker oil prices impact on rig and contractor rates".

OTTO AT A GLANCE

- ASX-listed oil and gas company with a strategy to grow an integrated petroleum business through high impact exploration
- 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 MacIver	Director
Rufino Bomasang	Director
John Jetter	Director
Ian Boserio	Director
Matthew Allen	CEO
Craig Hasson	CFO
Scott Blenkinsop	Chief Legal Counsel Company Secretary

Yours faithfully

Matthew Allen
Chief Executive Officer

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Persons compiling information about hydrocarbons

The reserve and contingent resource information in this report is based on information compiled by Mr Paul Senycia BSc (Hons) (Mining Engineering), MAppSc (Exploration Geophysics), who has consented to the inclusion of such information in this report in the form and context in which it appears. Mr Senycia is a full time employee of the Company, with more than 30 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.

The estimated quantities of petroleum that may potentially be recovered by the application of future development projects relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Joint Venture Partners (post farm-down to PNOC-EC):

<u>Participant</u>	<u>Participating Interest %</u>
Otto Energy Investments Ltd (Wholly owned subsidiary of Otto Energy Ltd (ASX: OEL))	33.18
Otto Energy Philippines Inc. (Wholly owned subsidiary of Otto Energy Ltd (ASX: OEL))	45.00
Palawan55 Exploration and Production Corporation (Wholly owned subsidiary of Trans-Asia Petroleum Corporation)	6.82
PNOC Exploration Corporation	15.00

Appendix: Hawkeye Prospect, offshore SW Palawan Basin, Philippines

SC55 contains a number of distinct exploration play types that provide material opportunities, including the Hawkeye turbidite clastic prospect and a significant carbonate gas/condensate trend that has the potential for an oil charge.

The Hawkeye prospect was identified on 2D seismic originally acquired by Otto in 2007 and further defined with the 600 km² 3D seismic acquisition in late 2009. Hawkeye contains:

- 'Best Estimate' STOIP of ~ 480 MMbbl of oil; and
- 'Best Estimate' Net Prospective Resource of 74 MMbbl of oil.

Hawkeye is planned as a vertical exploration well to test the clastic late Miocene Pagasa formation. Hawkeye is a thrust, four way closure with direct amplitude support evidenced on high quality 3D seismic acquired in late 2009. Otto plans a simple exploration well to target the Hawkeye structure. The well will be plugged and abandoned upon completion of drilling.

Otto has operated in the Philippines for over 10 years and regards the fiscal terms as amongst the best in Asia. The Philippine fiscal terms assist with protection from low oil price outcomes.

Hawkeye Prospect	
Location	Offshore, SW Palawan
Area of Closure	50 km ² Up to 500m column height
Water Depth	1,690 metres
Objective Depth	2,750 metres
STOIP, MMstb	87 - 484 - 1,539 (Low – Best- High)
Net Prospective Resource (*), MMbbl	12 - 74 – 266 (Low – Best- High) *Represents Otto's 78.18% WI post farm-down to PNOC-EC
Geological Probability of Success	27% (GPOS is for oil scenario which is the focus for exploration)
Development	FPSO & Tanker Offtake. Hawkeye has a "Likely" chance of development if a Best Case Discovery occurs

