

2 March 2015

Manager of Company Announcements  
ASX Limited  
Level 8 Exchange Plaza  
2 The Esplanade  
PERTH WA 6000

*Via E-Lodgement*

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## Letter of Intent Signed for Philippines Drill Rig

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Issued Capital: <b>266M Ordinary Shares</b>	ASX Code: <b>RMP</b>	Closing price: <b>A\$0.042</b>
	AIM Code: <b>RMP</b>	Closing Price: <b>£0.022</b>

The Board of Red Emperor Resources NL ("**Red Emperor**" or "**the Company**") is very pleased to advise that, subsequent to the announcement made earlier today that it has signed an agreement to farm into the highly prospective offshore Philippines Block SC55, Otto Energy Philippines Inc. (a wholly owned subsidiary of Otto Energy Ltd, ASX: OEL) has entered into a Letter of Intent with Maersk to secure the Maersk Venturer ultra-deepwater drillship to drill the Hawkeye-1 exploration well.

As one of the most modern and advanced drillships in the world, this rig has the required capability to drill the Hawkeye-1 exploration well. The exploration well has been designed to reach the top of target reservoir approximately 1,000m below the sea bed floor and intersect the gas oil contact to prove or otherwise the presence of the oil leg.

The Maersk Venturer was commissioned in 2014 and was built at the Samsung Heavy Industries yard in Korea. Capable of operating in up to 3,600 metres of water and with dual drilling derricks, high capacity mud pumps and bed space for 230 personnel, the Maersk Venturer is one of the newest and most capable drillships in the world. The Maersk Venturer has recently completed work for Total Malaysia.

All required long lead items have now been procured and stored in yards in Labuan, Malaysia. Drilling of the Hawkeye-1 exploration well is expected to commence in early Q3 2015.

Detailed contractual arrangements with Maersk will be finalised in the coming weeks and a further announcement will be made in due course.

Please see attached Otto Energy's announcement.

For and on behalf of the Board



**Greg Bandy**  
Managing Director

### BOARD & MANAGEMENT

Mr Greg Bandy  
MANAGING DIRECTOR

Mr Nathan Rayner  
NON-EXECUTIVE DIRECTOR

Mr Jason Bontempo  
NON-EXECUTIVE DIRECTOR

Mr Aaron Bertolatti  
COMPANY SECRETARY

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### ASX CODE | AIM CODE

RMP

2 March 2015

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

## By E-Lodgement

### HIGHLIGHTS:

- **FARM-DOWN OF 15% WORKING INTEREST IN SC55 TO RED EMPEROR RESOURCES NL**
- **OTTO FULLY FUNDED FOR DRILLING OF HAWKEYE-1 EXPLORATION WELL**
- **LETTER OF INTENT SIGNED FOR MAERSK VENTURER ULTRA-DEEPWATER DRILLSHIP**
- **DRILLING ON SCHEDULE FOR Q3 2015**

Otto Energy Ltd (ASX: OEL) (**Otto**) is pleased to announce that its subsidiary Otto Energy Philippines Inc. (**Otto Philippines**) has signed a farm-in agreement with Red Emperor Resources NL (**Red Emperor**) to earn a 15% working interest in SC55, offshore the Philippines.

Otto has also executed a letter of intent with Maersk Drilling, one of the world's largest offshore drilling companies, to secure the Maersk Venturer ultra-deepwater drillship to drill the Hawkeye-1 exploration well.

### Hawkeye Exploration Prospect

Hawkeye is a large turbidite clastic prospect identified on modern 3D seismic acquired in 2010. The Gross Prospective Resource Best Estimate for Hawkeye is 112 MMbbl (Net Prospective Resource 74 MMbbl to Otto). Success at Hawkeye will unlock a significant new hydrocarbon play in the deepwater Southern Palawan with material follow-up potential in the carbonate leads and prospects (Gross Prospective Resource Estimate ~11 Tcf and ~400 MMbbl of Condensate) also identified on 3D seismic. With drilling now to occur in Q3 2015, Otto shareholders will participate in this exciting and material opportunity.

### Red Emperor Farm-in

Red Emperor, listed on the ASX and AIM (ASX: RMP, AIM: RMP), has agreed to farm-in to SC55 and earn a 15% working interest by participating in the drilling of the Hawkeye-1 exploration well. Key terms of the farm-in agreement are outlined in Appendix 1.

This farm-in, along with the US\$24.5m funding committed by BHP Billiton and the expression of interest received in January 2015 from PNOC-EC for a further 15% working interest, ensures that Otto is fully funded and has mitigated significant financial risk associated with the drilling of Hawkeye-1.

## 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
- Formerly Operator of the producing Galoc oil field in the Philippines

## 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

### Letter of Intent for Maersk Venturer Drillship

Otto Energy Investments Ltd (a 100% subsidiary of Otto and Operator of SC55) (**OEIL**) has entered into a Letter of Intent with Maersk Drilling to secure the Maersk Venturer ultra-deepwater drillship to drill the Hawkeye-1 exploration well. Maersk Venturer is one of the most modern and advanced drillships in the world, this rig has the required capability to drill the Hawkeye-1 exploration well.

The Maersk Venturer was commissioned in 2014 and was built at the Samsung Heavy Industries yard in Korea. The Maersk Venturer is one of the newest drillships in the world, capable of operating in up to 3,600 metres of water, with dual drilling derricks, high capacity mud pumps and bed space for 230 personnel. The Maersk Venturer has recently completed work for Total Malaysia. Detailed contractual arrangements with Maersk Drilling will be finalised in the coming weeks.

All required long lead items have now been procured and stored in yards in Labuan, Malaysia. Drilling of Hawkeye-1 is expected to commence in Q3 2015.



*Picture above: Maersk Venturer drill ship*

Matthew Allen, Otto's CEO said: "Otto would like to welcome Red Emperor to the SC55 joint venture. Along with our existing joint venture partner, TransAsia Oil and Energy Development Corporation and PNOC-EC, the SC55 joint venture looks forward to delivering the highly important Hawkeye-1 exploration well on behalf of the Philippine Department of Energy.

Securing a drillship of the capability of the Maersk Venturer for the drilling of Hawkeye-1 in Q3 2015 is a major event for Otto. We are now finalising preparations to begin drilling and we look forward to updating our shareholders during 2015 as this activity is undertaken".

~Ends~

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## **Appendix 1: Key terms of Red Emperor Farm-In**

### **1. Working interest**

Red Emperor has the right to earn a 15% interest in SC55 (Farmin interest) in consideration for paying 15% of the Well Costs for the drilling and testing of the Hawkeye – 1 exploration well (**Farmin Well**). Red Emperor's well cost exposure is capped at US\$5.625m, beyond which Red Emperor has the option to reduce equity from the 15% working interest level.

### **2. Ownership**

Assuming no further acquisition or divestment, following the assignment of the Farmin Interest, the Participating Interests will be:

Otto Philippines:	45.00%
OEIL:	33.18%
Red Emperor Resources NL:	15.00%
Palawan 55 Exploration and Production Company: (a subsidiary of Trans-Asia Petroleum Corporation)	6.82%
Total:	100%

PNOC-EC has expressed an interest to farm-in for a 15% working interest in SC55. The farm-in is subject to approval by the Office of the President of the Philippines, which is currently being sought.

### **3. Conditions Precedent**

The assignment of the Farmin Interest is subject to the satisfaction or waiver of the following conditions:

- Palawan 55 not exercising their respective rights of pre-emption under the JOA, strictly in respect of the transaction contemplated by this Agreement and the Farmin Interest.
- Palawan 55 providing the consent required under article 12 of the JOA for the transfer of the Farmin Interest.
- Receipt of the Assignment Approval by the Department of Energy.
- Execution by all parties, of a Deed of Assignment and Assumption.
- Red Emperor obtaining any shareholder approvals required under AIM or ASX listing rules.

### **4. Carry Following Discovery**

If:

- an oil Discovery is made by the Farmin Well; and
- the OEIL reasonably considers the oil Discovery merits appraisal; and
- a decision is taken in accordance with the JOA to drill, either:
  - a follow up Appraisal Well based on the outcome of the Farmin Well; or;
  - an Exploration Well ahead of an Appraisal Well,

as a Joint Operation (or an exclusive operation or non-consent operation in which a party other than OEIL and Red Emperor participates ) then Red Emperor shall pay the Farmor's share of the costs of the follow up well up to an amount of USD\$2,000,000.

## Appendix 2: Hawkeye Prospect

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

The Hawkeye prospect was identified on 2D seismic originally acquired by Otto in 2007 and further defined with the 600 km<sup>2</sup> 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 2010. Otto plans an exploration well to target the crest of the Hawkeye structure and evaluate results. 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 <sup>2</sup> 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) *Represent Otto 78.18% WI post farm-down to Red Emperor
Geological Probability of Success	27% (GPOS is for oil scenario which is the focus for exploration)
Development	FPSO & Tanker Offtake. "Probable" Chance of development given Mid Case Discovery

