

30 July 2015

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

By E-Lodgement

HIGHLIGHTS:

- **FARM-DOWN OF 10% WORKING INTEREST IN SC55 TO PRYCE GASES INC.**
- **MAERSK VENTURER HAS MOBILISED TO HAWKEYE WELL LOCATION**
- **OTTO FULLY FUNDED FOR DRILLING OF HAWKEYE-1 EXPLORATION WELL**

Otto Energy Ltd (ASX: OEL) (**Otto**) subsidiary, Otto Energy Philippines Inc. (**Otto Philippines**), has signed a farm-in option agreement with Pryce Gases Inc (**Pryce Gases**) to earn a 10% working interest in SC55, offshore the Philippines. Following this farm-in, Otto will retain a participating interest of 68.18% in SC55.

Pryce Gases Farm-in Option

Pryce Gases, a subsidiary of the Philippine Stock Exchange listed entity, Pryce Corporation (PSE: PPC), has agreed to a farm-in option to SC55 to earn a 10% working interest by participating in the drilling of the Hawkeye-1 exploration well. Key terms of the farm-in option agreement are outlined in Appendix 1.

This farm-in option, along with the US\$24.5 million funding committed by BHP Billiton and the Red Emperor Resources NL farm-in announced in March 2015 for a 15% working interest, ensures that Otto is fully funded for the drilling of Hawkeye-1, which is estimated to cost between US\$30-35 million.

Maersk Venturer Mobilises to Hawkeye Drilling Location

Load-out of the Maersk Venturer drilling rig has been completed and the Maersk Venturer has mobilised to the Hawkeye drilling location. Drilling will commence over the coming weekend once the rig has been accurately located over the required drilling location.

Otto will report once the well has been spud and then only report upon material events. It is expected that the well will take approximately 2-3 weeks to be drilled to the reservoir interval, at which time Otto would report key information obtained during drilling.

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 conventional oil plays in proven petroleum provinces
- Formerly Operator of the producing Galoc oil field in the Philippines

COMPANY OFFICERS

Rick Crabb	Chairman
Matthew Allen	MD & CEO
Ian MacIver	Director
Rufino Bomasang	Director
John Jetter	Director
Ian Boserio	Director
Craig Hasson	CFO
Neil Hackett	Company Secretary

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 65 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.

Matthew Allen, Otto's Managing Director and CEO said: "Otto welcomes Pryce Gases to the SC55 joint venture. Along with our existing joint venture partners, TransAsia Oil and Energy Development Corporation and Red Emperor Resources, the SC55 joint venture looks forward to delivering the highly important Hawkeye-1 exploration well on behalf of the Philippine Department of Energy. The start of drilling at the Hawkeye-1 exploration well is a very exciting time for Otto and we look forward to reporting the results of the well in the coming short period of time".

~Ends~

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Appendix 1: Key terms of Pryce Gases Farm-In Option Agreement

1. Working interest

Pryce Gases has the option to earn a 10% interest in SC55 (Farmin interest) in consideration for paying 10% of the Well Costs for the drilling and testing of the Hawkeye-1 exploration well (**Farmin Well**). Pryce Gases will pay an amount of US\$3.225 million prior to commencement of drilling. Any adjustments to the well cost contribution will be made once the well is completed.

Pryce Gases will have the option once its payment is made until 60 days following the completion of drilling and testing of the Farmin Well to have a 10% working interest transferred to it. If the option is not exercised within the abovementioned period, the option will expire and Pryce Gases option payment will not be refundable.

2. Ownership

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

<u>Participant</u>	<u>Participating Interest %</u>
Otto Energy Investments Ltd (Operator) (Wholly owned subsidiary of Otto Energy Ltd)	33.18%
Otto Energy Philippines Inc. (Wholly owned subsidiary of Otto Energy Ltd)	35.00%
Century Red Pte Ltd (Wholly owned subsidiary of Red Emperor Resources NL (ASX RMP))	15.00%
Palawan55 Exploration and Production Company (Wholly owned subsidiary of Trans-Asia Petroleum Corporation)	6.82%
Pryce Gases Inc (Wholly owned subsidiary of Pryce Corporation)	10.00%

The expression of interest from the Philippine National Oil Company – Exploration Company (PNOC-EC) to farm-in for a 15% interest in SC55 is still valid and approvals from the Office of the President are required before this transaction can be finalised.

3. Conditions Precedent

The assignment of the Farmin Interest once Pryce Gases exercises its option is subject only to the satisfaction of the following condition:

- a. Receipt of the Assignment Approval by the Department of Energy.

4. Carry Following Discovery

In the event that the joint venture elect to enter Sub-Phase 5 and drill the further well, Pryce Gases will pay its 10% working interest share in the well and also contribute an additional amount of US\$1.333 million towards Otto's cost in that well.

Appendix 2: Hawkeye Prospect

Service Contract 55 (SC55), offshore Palawan Basin in the Philippines, 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.

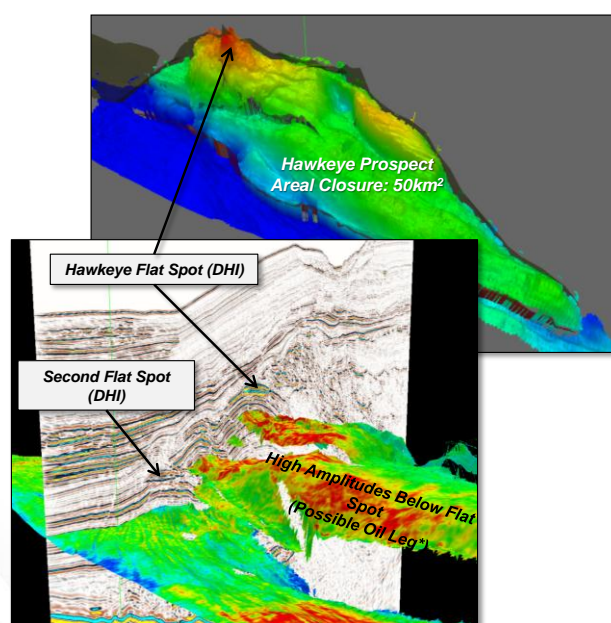
The Hawkeye prospect was identified on 2D seismic originally acquired by Otto in 2007 and further defined with the 600 km² 3D seismic acquisition in late 2009. Hawkeye contains:

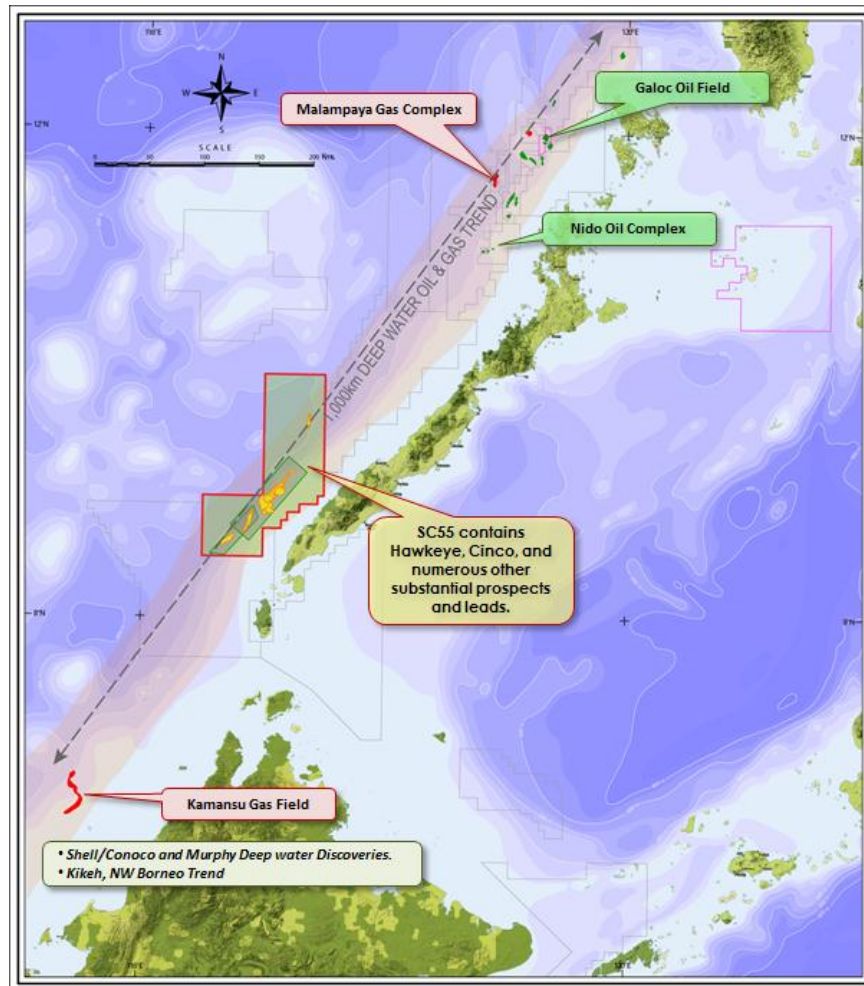
- 'Best Estimate' STOIP of ~ 480 MMbbl of oil; and
- 'Best Estimate' Net Prospective Resource of 65 MMbbl of oil.

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 upstream oil and gas exploration and production assets in the Philippines for over 10 years and regards the fiscal terms as amongst the best in Asia, offering 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	1,788 metres
Objective Depth	2,887 metres
STOIIP, mmstb	87 - 484 - 1,539 (Low – Best- High)
Net Prospective Resource (*), MMbbl	11 - 65 – 232 (Low – Best- High) *Represent Otto 68.18% WI post farm-down to Pryce Gases
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





Prospective Resource Cautionary Statement

The estimated quantities of petroleum that may potentially be recoverable by the application of a future development project(s) 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.

Prospective Resources

Prospective resource estimates in this presentation are prepared as at 28 November 2013 (reference: ASX announcement 28 November 2013), (11 December 2013) (reference: ASX announcement 11 December 2013). The resource estimates have been prepared using the internationally recognised Petroleum Resources Management System to define resource classification and volumes. The resource estimates are in accordance with the standard definitions set out by the Society of Petroleum Engineers, further information on which is available at www.spe.org. The estimates are unrisks and have not been adjusted for both an associated chance of discovery and a chance of development. 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.