

5 September 2011

Manager of Company Announcements
ASX Limited
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SYDNEY NSW 2000

By E-Lodgement

Phase II development progresses at Galoc Oil Field

- **Approval to commence Front End Engineering and Design for Phase II**
- **Approval to undertake acquisition of new 3D seismic in October 2011**
- **Targeting sanction ("Final Investment Decision") of Phase II development mid-2012**

Otto Energy Ltd (ASX:OEL) attaches an announcement by the Galoc Production Company (GPC) regarding approval to commence the Front End Engineering and Design (FEED) work and the acquisition of new 3D seismic in support of the planned Phase II development at the Galoc Oil Field (Galoc).

The FEED work will determine the exact locations and number of additional wells to be drilled, expected to commence in 2013. The new 3D seismic will support the placement of Phase II wells in the reservoir and de-risk capital expenditure.

Otto currently owns an 18.78% holding in Galoc through GPC. Otto has entered into an agreement to increase its interest to a direct 33.00% in Galoc, including 100% ownership of GPC, and to assume control of the operator of the field. Completion of the agreement is scheduled to occur prior to 30 September 2011.

Otto's Acting CEO Matthew Allen said:

"These two approvals are key steps in the Phase II development of the Galoc Oil Field which we are currently on track to sanction in mid-2012. Given Otto's recent agreement to assume control of the operator and become the largest shareholder in Galoc, the development of Phase II is a core focus for Otto and we are very pleased with progress to date."

"The Galoc Oil Field recently produced its eight millionth barrel of oil and delivered its 23rd cargo. With the upgrade of the mooring and riser system for the FPSO Rubicon Intrepid expected to occur in the fourth quarter of 2011, the field's performance continues to reinforce our confidence in its reserves and future production."

A full copy of the announcement is attached.

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OTTO AT A GLANCE

- ASX-listed oil and gas company with significant growth potential.
- Production from Galoc Oil Field provides cash flow.
- Major offshore Philippines drilling campaign in 2012 targeting high impact exploration.
- Opportunity rich with substantial exploration prospects and leads in Palawan and Visayan basins.

COMPANY OFFICERS

Rick Crabb	Chairman
Ian Macliver	Director
Rufino Bomasang	Director
John Jetter	Director
Ian Boserio	Director
Matthew Allen	Acting CEO CFO/Coy Secretary

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The Reserve and Contingent Resource estimates outlined in this announcement have been compiled by Mr Nick Pink. Mr Pink is the Senior Reservoir Engineer of Otto and a full time employee. Mr Pink has more than 12 years of relevant experience and is qualified in accordance with ASX Listing Rule 5.11. Mr Pink has consented to the form and context that this statement appears.

The participating interests in the Galoc field are as follows:

Participant	Pre-Acquisition Interest %	Post-Acquisition Interest %
Vitol Group	41.06	-
Otto Energy Ltd	18.78	33.00
Risco Energy Pte Ltd	-	26.84
Nido Petroleum	22.88	22.88
Philodrill	7.21	7.21
Oriental Petroleum	7.79	7.79
Forum Energy	2.28	2.28

5 September 2011

Galoc Joint Venture progressing development of Phase II of the Galoc Oil Field

- **Commences Front End Engineering and Design for Phase II**
- **Undertaking acquisition of new 3D seismic in October 2011**
- **Targeting sanction ("Final Investment Decision") of Phase II development mid-2012**

The Galoc Production Company ("GPC"), operator of the Galoc oil field offshore Palawan in the Philippines, advises that the Galoc Joint Venture has approved the commencement of Front End Engineering and Design (FEED) in support of the planned Phase II development of the field and the acquisition of new 3D seismic.

The Galoc oil field commenced production in October 2008 and recently produced its eight millionth barrel of oil, delivering its 23rd cargo. The Galoc Joint Venture supports planning for a Phase II development of the field, notionally drilling between 1 and 3 additional wells targeting 3 million to 10 million barrels of additional reserves.



Illustration: FPSO Rubicon Intrepid

Front End Engineering and Design

The Galoc Joint Venture has approved the commencement of FEED work to determine the exact locations and number of additional wells to be drilled, with drilling likely to take place in 2013.

Galoc field performance continues to reinforce the Joint Venture's confidence in the field reserves with current production being approximately 6,700 barrels per day.

The conversion of the FPSO Rubicon Intrepid to install a bow mounted turret mooring system is a crucial component of infrastructure to enable the Galoc Joint Venture to move ahead with the Phase II development.

The scope of FEED work, to be undertaken prior to a Final Investment Decision, includes subsurface modeling of the reservoir, drilling and completion design, subsea engineering and tie-back design for the new wells and joint venture financing considerations.

The work will be primarily undertaken in Perth with support from the Manila-based GPC personnel.

Acquisition of 3D Seismic

In addition to FEED work, the Galoc Joint Venture has approved the acquisition of 184 km² of new 3D seismic covering the Galoc field and adjacent Galoc North exploration prospect. The seismic will be acquired in October 2011, subject to relevant approvals being received, and the resulting inversion and interpretation will be completed by mid-Q2 2012.

The new 3D seismic will support the placement of Phase II wells in the reservoir and de-risk this major capital expenditure. In addition, it will also mature the Galoc North exploration prospect, which may be included as part of Phase II or a further phase of development at the field.

The Joint Venture has undertaken a market survey to determine suitable vessels to acquire the 3D seismic and is currently finalizing contracting to secure a vessel.

Attached is an outline of the planned seismic survey area.

Targeting Project Sanction mid-2012

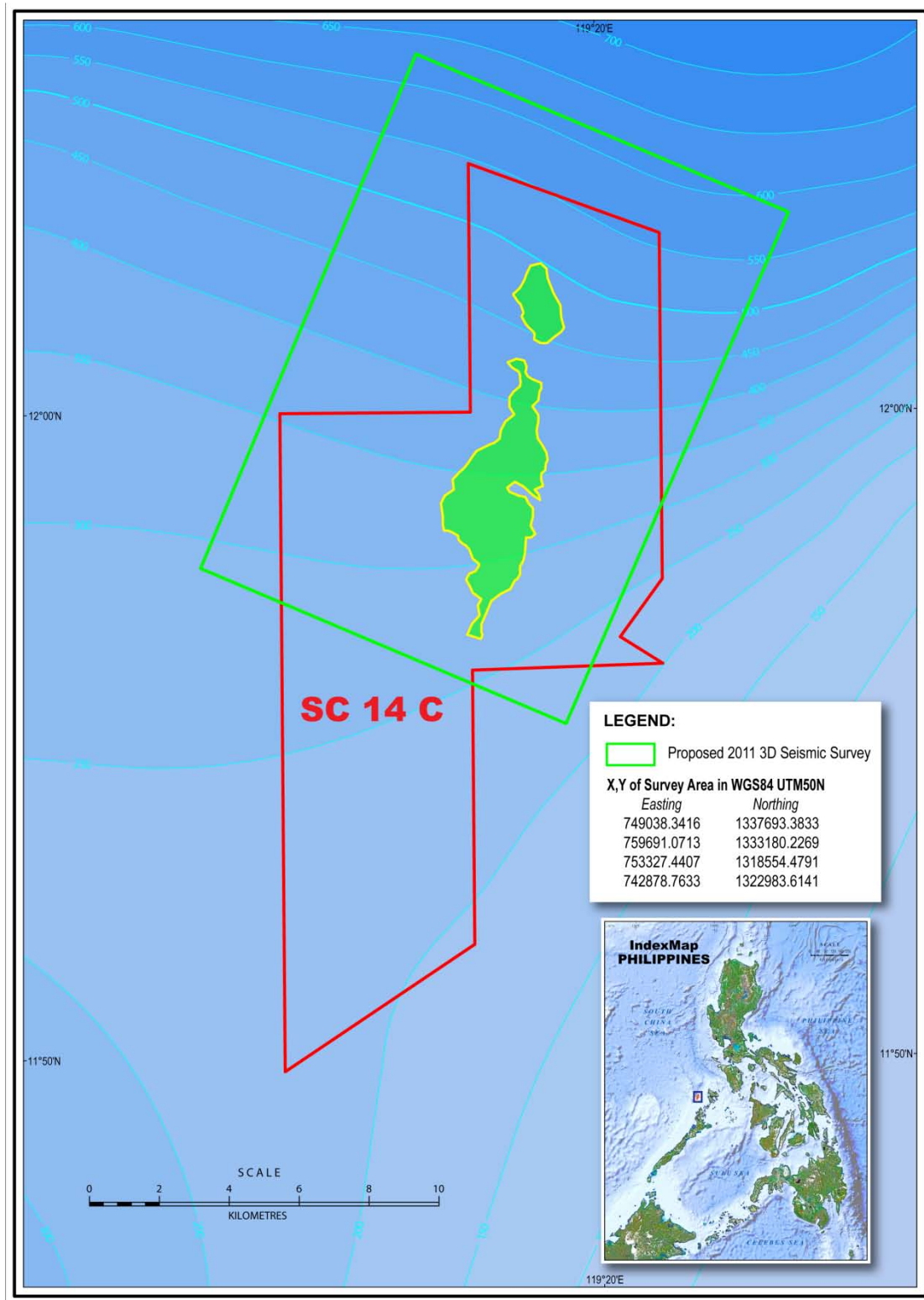
The final project approval, Final Investment Decision ("FID"), for the Galoc Phase II development is targeted for mid-2012. The Galoc Joint Venture will consider pre-investment in required infrastructure, including wellheads, flowlines and umbilical lines during the FEED stage.

Operations Update

The Galoc Joint Venture recently approved an upgrade of the mooring and riser system to install a more conventional bow-mounted turret mooring system for the FPSO Rubicon Intrepid.

This conversion is planned to commence in the fourth quarter of 2011. It is planned to undertake two more cargo deliveries prior to the FPSO departing the field for the conversion.

This upgraded system is expected to substantially increase the FPSO operating uptime to in excess of 95% due to the enhanced and simplified single point mooring system.



Planned 3D Seismic Acquisition Program

Additional Notes

General Information

The Galoc oil field is located in Service Contract SC14C (Galoc Sub Block) in 290m of water approximately 65km north west of Palawan in the Republic of the Philippines.

The original development of Galoc involved the construction of two subsea completed horizontal production wells giving extended reservoir contacts, tied back to a Floating Production Storage and Offloading ("FPSO") facility via a short seabed pipeline and mid-water riser system.

Most likely oil reserves estimated at time of commitment to the development in 2006, were approximately 10 million barrels. The estimated ultimate recovery has recently been increased following successful results from the initial two and a half years of production and now stands at approximately 15 million barrels (at the 2P level).

The participating interests in the Galoc Field are as follows:

Participant	Participating Interest %
Galoc Production Company W.L.L.1 (Operator)	59.84473
Nido Petroleum Philippines Pty Ltd	22.87952
Oriental Petroleum & Minerals Corporation/ Linapacan Oil Gas & Power Corporation	7.78505
The Philodrill Corporation	7.21495
Forum Energy Philippines Corporation	2.27575

Galoc Production Company is owned by:

Vitol Group 68.6% (recent agreement to sell this interest to Otto Energy Ltd,
effective 30 September)
Otto Energy Limited 31.4%

Further information on GPC and the Galoc Field can be obtained from:

- GPC's website www.galoc.com
- via email, at enquiry@galoc.com
- or by contacting
 - Kay Palma
Tel: +63 2 857 4372