

12 August 2011

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

By E-Lodgement

## **Otto buys Vitol's stake in Galoc Oil Field Increases Stake in Galoc to 33% Direct Interest and assumes control of Operating Company**

- **Galoc acquisition delivers greater share of revenue, providing additional funds for investment into future growth**
- **Assumes 100% ownership of Operating Company of producing Galoc field; important growth step for Otto**
- **Purchase price equivalent to US\$19.00 per barrel (2P reserves) and US\$11.50 per barrel (2P reserves + 2C resources); attractive at current oil prices**
- **Galoc joint venture focused on sanction of Phase 2 in early 2012**
- **Increase Otto's proven and probable reserves by 0.98 million oil barrels**
- **Complements Otto's suite of high potential exploration projects in the Philippines**

Otto Energy Ltd. (ASX:OEL) advises that it has entered into various definitive agreements to increase its stake in the producing Galoc Oil Field offshore the Philippines from an indirect 18.78% to direct 33.0% under Service Contract 14C ("Galoc"). Otto will assume 100% ownership of the Operating Company of the field, which is currently producing 6,800 oil barrels per day, on a 100% basis.

Under the terms of the transaction, Otto has agreed to acquire a 68.62% interest in the Galoc Production Company WLL ("GPC"), the operator of Galoc, from Vitol Group, increasing Otto's interest in GPC from 31.38% to 100%. Through the acquisition Otto will initially increase its stake to 59.84% of Service Contract 14C. Otto has then agreed to cause GPC to on-sell, on the same per percentage point terms, a 26.84% of this stake to Singapore energy investment company Risco Energy Pte Ltd, bringing Otto's post acquisition stake in Galoc to 33.0%. This transaction is subject to relevant Philippines government approvals.

The effective date of the purchase agreement is 1 April 2011. The total purchase price for Otto's share of the purchase price is US\$18.7 million. The acquisition will be funded from Otto's existing cash reserves. Completion is scheduled to occur prior to 30 September 2011.

### **Attractively Priced, Low-Risk Opportunity**

The acquisition will increase Otto's proved and probable (2P) reserves by 0.98 million barrels, with an additional 0.64 million barrels of contingent resources (2C). Recently the SC14C joint venture approved the upgrade to the mooring and riser system for the

### OTTO AT A GLANCE

#### OVERVIEW

- ASX-listed oil and gas company with significant growth potential.
- Production from Galoc Oil Field provides cash flow.
- First operated exploration well in Philippines in Q2 2011.
- Opportunity rich with substantial exploration prospects and leads in Palawan and Visayan basins.
- Progressing possible growth into East Africa.

#### COMPANY OFFICERS

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

Galoc FPSO. This is expected to substantially increase the operating uptime of the field, and is crucial infrastructure to facilitate a Phase 2 development.

The purchase price for the acquisition is equivalent to US\$19 per barrel for proved and probable reserves and US\$11.50 per barrel with the inclusion of contingent resources, which relate to Phase 2. The field currently enjoys a net back of around US\$50 per barrel after all costs, taxes and other charges.

Through 100% ownership of GPC, Otto becomes the Operator of the field, a crucial step in the development from an exploration to an integrated oil and gas company. The acquisition will also realise cost synergies as Otto consolidates the operating office of GPC in Manila with its current Perth and Manila offices.

Otto Acting Chief Executive Officer Matthew Allen said:

*“This acquisition represents an attractively priced, low-risk opportunity for Otto to increase its share of revenue from Galoc, as well as to better leverage the expertise within the group through assuming Operatorship. Galoc is a proven producing asset that we know well and that complements our high potential Philippines exploration portfolio. The revenue from Galoc continues to provide a valuable source of funds for reinvestment and this is set to grow as we move towards a Phase 2 expansion of the project. We look forward to working with our joint venture partners and the Philippine Department of Energy to advance the successful Galoc project under Otto’s Operatorship.”*

### Strong Current Production Performance

Recent performance at Galoc has been encouraging with current production at approximately 6,800 barrels per day. The field has delivered 23 offtakes to refinery customers to date with one additional cargo scheduled for delivery prior to the FPSO being taken out of the field in September.

Galoc has had an average operating uptime of 100% over the past four months, and now has a year-to-date 12-month rolling average uptime of 88%. The upgrade to the mooring and riser system is planned for the fourth quarter of 2011, and following installation is expected to improve FPSO operating uptime to in excess of 95%. The cost to Otto of the mooring and riser upgrade is modest at US\$3.6 million based on a 33.0% interest in SC14C.

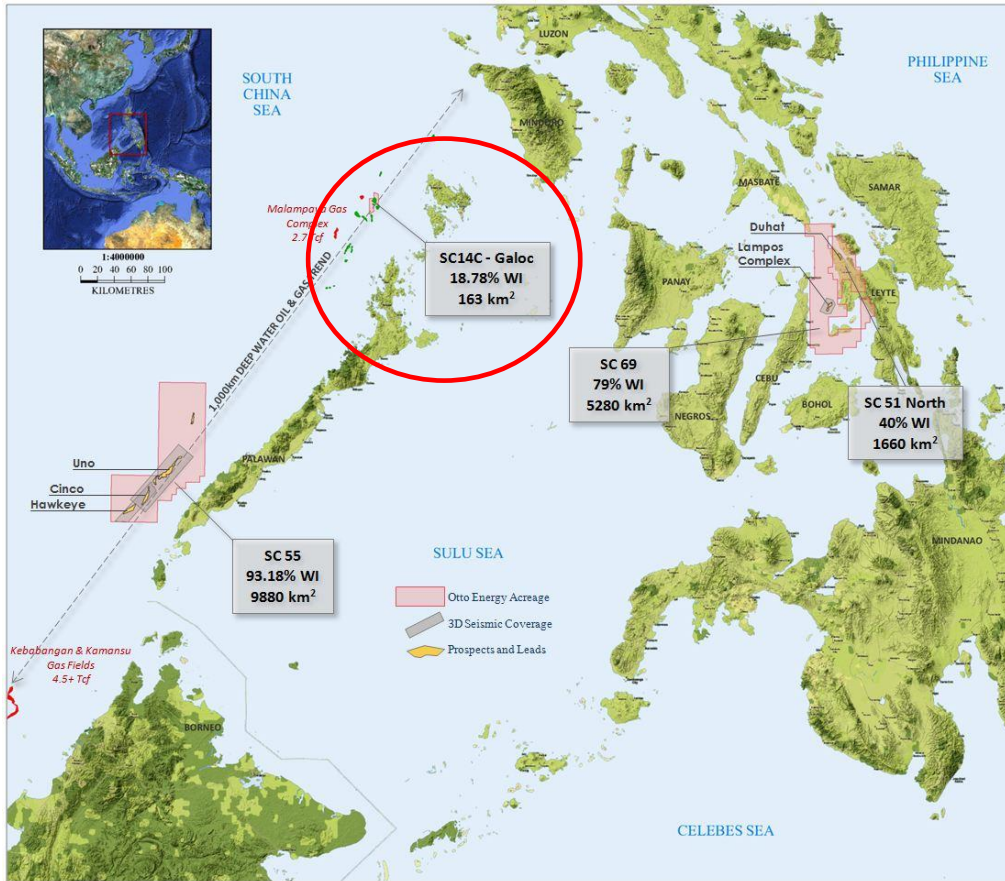
It is anticipated that final investment approval for a Phase 2 development of Galoc will be targeted for early 2012, subject to satisfactory results from a planned 3D seismic acquisition.

### Galoc Joint Venture: Project Ownership Structure:

	Current Interest	New Interest
Otto Energy*	18.78%	33.00% (Operator)
Vitol *	41.07%	-
Risco Energy	-	26.84%
Nido Petroleum Philippines Pty Ltd	22.88%	22.88%
The Philodrill Corp.	7.21%	7.21%
Oriental Petroleum & Minerals Corp. / Linapacan Oil Gas & Power Corp.	7.79%	7.79%
Forum Energy Philippines Corp.	2.28%	2.28%

\*Held through GPC (Pre-acquisition shareholdings: Vitol 68.62%, Otto 31.38%. Post-acquisition: Otto 100%)

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**Background on Risco Energy Pte Ltd:**

Incorporated in Singapore, Risco is an energy investment company with pre-eminent sector expertise and capital to deploy. Risco has extensive coal seam methane interests in Indonesia, through a major shareholding in Ephindo Energy, Indonesia’s first mover CSM Company ([www.ephindo.com](http://www.ephindo.com)). Risco also operates oil and gas producing assets onshore USA and is actively growing its South East Asia portfolio.

Risco ([www.risco-energy.com](http://www.risco-energy.com)) has a strong balance sheet, no debt and a management team with many years of experience acquiring, running, operating, dealing, managing, funding and commercializing oil and gas assets.

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.