

30 July 2013

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

**By E-Lodgement**

**DRILLING UPDATE ON THE DUHAT OIL PROSPECT IN SC51**

Otto Energy Limited (“Otto”) (ASX:OEL), as operator of the Service Contract 51 joint venture onshore the Philippines, provides the following update on the Duhat-2 exploration drilling campaign.

**Progress**

At 1500 hours local time on 25 July 2013, Desco Rig 30 was drilling ahead at approximately 200 meters when the well started to flow high pressure water at high flow rates into a lined surface pit via a diverter valve. Upon analysis, the flow was comprised of brackish water with very low trace gas readings. Standard industry safety practice was followed to shut-in the well using heavy weight mud and the onsite drilling team implemented these procedures immediately.

The flow of water from a highly permeable interval was initially stopped using heavy weight mud. Over the intervening period further intermittent flow occurred until the well was finally stopped and a cement plug emplaced on 26 July.

Otto further advises that there have been no injuries to any personnel and no identified impacts on the local environment as a result of the flow of water from the well. A continuous monitoring system has been put in place, and Otto is in regular contact with local communities and the authorities, who have been fully apprised of the situation.

**Forward Plan**

Otto has reviewed the flow and pressure information obtained since drilling commenced at Duhat-2 and the forward plan is to plug and abandon the well. This is primarily a safety based decision as the identified risks of drilling ahead in this location have been deemed unacceptable which has been supported by the Department of Energy.

**OTTO AT A GLANCE**

- ASX-listed oil and gas company with a strategy to grow its integrated oil and gas business across exploration, development and production
- Focused on South East Asia and East Africa
- Operator of the producing Galoc oil field in the Philippines, which provides cashflow
- Opportunity rich with substantial exploration prospects and leads

**COMPANY OFFICERS**

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

www.ottoenergy.com

The presence of a high pressure, water bearing, permeable section was not seen in the Duhat-1 well located some 440m away. Seismic data through both the Duhat-1 and Duhat-2 wells provided no warning of the presence of this overpressure interval. Accordingly, this significant new information will be reviewed in detail and will be considered in any future decisions regarding forward work programmes on SC51.

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**Joint Venture Partners:**

Participant	Participating Interest %
Otto Energy Investments Ltd (Operator) (Wholly owned subsidiary of Otto Energy Ltd (ASX: OEL))	80.00%
Trans-Asia Petroleum Corporation	6.67%
PetroEnergy Resources Corporation	4.01%
COSCO Capital Inc (formerly Alcorn Gold Resources Corporation)	9.32%