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

## By E-Lodgement

### UPDATE ON GALOC PHASE II PROJECT DEVELOPMENT

#### Highlights:

- Execution of final binding financing facility agreement with BNP Paribas
- Galoc Phase II Project Update

Otto Energy Ltd (“Otto”) (ASX: OEL), the 33%-owner and operator of the producing Galoc oil field joint venture offshore the Philippines, is pleased to provide the following update in relation to the Galoc Phase II development.

#### Execution of Financing Facility Agreement

Otto has entered into a binding agreement with BNP Paribas to provide US\$37.4 million in project financing for its share of capital expenditure committed to the Galoc Phase II development.

BNP Paribas is a recognised global leader in oil and gas project finance and Otto believes that this financing facility underlines the robustness of the Galoc project.

Otto’s share of the US\$188 million capital expenditure (100% basis) for Galoc Phase II is now fully funded through a combination of this project financing and cash flows generated from production from Phase I of the field.

#### Key terms of the facility are:

- 3-year tenor term loan facility expiring 31 December 2015
- Principal repayments commencing Q1 2014. Voluntary prepayments may be made without penalty
- A competitive interest margin on USD LIBOR
- Galoc project level security provided as is usual for a loan of this nature

Financial close for the facility is expected in the coming weeks once the conditions precedent are met. First drawdown of the facility will be in Q1 2013, consistent with projections set in August 2012 ahead of the Final Investment Decision (FID) taken by Otto.

### 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 in Palawan and Visayan basins

### 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

Otto would like to thank BNP Paribas for its support in closing this facility and the company looks forward to building on the positive working relationship that has been established. Otto also would like to thank its independent financial advisor, Argonaut Limited, which supported execution of the facility.

### Galoc Phase II Development Update

The Galoc joint venture took the Final Investment Decision (FID) on Phase II in September 2012. Since then, substantial progress has been made towards achieving safe production start-up from the Phase II wells anticipated in 2H 2013. Developments since the FID was taken include:

- Contracts awarded for key vendors including:
  - Drilling Rig Ocean Patriot - Diamond Offshore (Australia) LLC.
  - Offshore Construction Skandia Hercules - DOF Subsea Asia Pacific Pte Ltd.
  - Subsea Wellheads & Trees - Dril-Quip Asia Pacific Pte Ltd.
- Key equipment has started to arrive in forward operating bases in Southeast Asia ahead of mobilisation and transfer to the Galoc field.
- Expected mobilisation of the drilling rig is early Q2 2013.
- 3D seismic interpretation finalised and subsequent completion of Galoc-5 and Galoc-6 well designs.
- Proposal issued to the Galoc joint venture partners for an exploration well in the northern field area currently awaiting joint venture sanction.
- Cost estimates remain unchanged from 1<sup>st</sup> August 2012 FID budget estimate.
- Otto's funding arranged as planned from cash and ongoing revenue from Galoc Phase I production.
- First oil from Phase II remains on track for 2H 2013.

Otto Chief Executive Gregor McNab said: "The past year has been a transformational period for the Galoc joint venture, with a significant upgrade undertaken on the FPSO, an increase in reserves achieved and the commitment made to proceed with Phase II. As operator, Otto is pleased with the progress to date and with preparations to deliver a significant programme of activity at Galoc through 2013.

"Galoc continues to be an important project for Otto, with the cashflow from Phase I underpinning our exploration activity in Southeast Asia and East Africa, and providing Otto with the funding to pursue new initiatives to drive shareholder value."

--Ends--

#### CONTACT

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**APPENDIX A: GALOC OIL FIELD SUMMARY**

**Joint Venture Partners:**

<b><u>Participant</u></b>	<b><u>Participating Interest %</u></b>
Galoc Production Company W.L.L. (Operator) (Wholly owned subsidiary of Otto Energy Ltd (ASX: OEL))	33.00000
Galoc Production Company (2) Pte Ltd	26.84473
Nido Production (Galoc) Pty Ltd (ASX: NDO)	22.87952
Oriental Petroleum & Minerals Corporation and Linapacan Oil Gas & Power Corporation	7.78505
The Philodrill Corporation	7.21495
Forum Energy Philippines Corporation	2.27575

**Location:**

The Galoc field is located in Service Contract SC14-C (Galoc Sub Block) in 290m of water approximately 65km North West of Palawan Island and 350km south of Manila in the Republic of the Philippines.