

5 May 2015

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

By E-Lodgement

HIGHLIGHTS:

- **MAERSK DRILLING CONTRACT EXECUTED**
- **DRILLING TO COMMENCE MID-JULY AUGUST**
- **WELL COST EXPECTED BETWEEN US\$30-35M**

Otto Energy Ltd (ASX: OEL) (“Otto”) has executed a binding contract with Maersk Drilling to secure the Maersk Venturer ultra-deep water drill ship for the Hawkeye-1 exploration well.

The Gross Prospective Resource Best Estimate for the Hawkeye Prospect is 112mmbo (74mmbo net to Otto). Success at Hawkeye will unlock a significant new hydrocarbon play in the deep water Southern Palawan region with material follow up potential already mapped on 3D seismic.

The Maersk Venturer is one of the most modern and advanced drill ships in the world and Otto is pleased to have secured a rig of this capability to drill the Hawkeye-1 exploration well.

The window for commencement of mobilisation to the Hawkeye-1 drilling location will be between 17 July and 15 August 2015. Key services and equipment will continue to be mobilised and secured by Otto in the period leading up to this date.

The well is expected to take around 23 days to drill from rig arrival until release. The majority of services have been contracted and total expected cost remains within guidance of US\$30 to \$35 million (dry-hole well cost estimate). Should the well encounter hydrocarbons, more detailed evaluation, including well logging, will be undertaken and which would increase the overall cost by around US\$2-3 million. Otto is fully funded for such a circumstance.

As a result of the US\$24.5 million committed by BHP Billiton and the farm-down to Red Emperor Resources NL, Otto will be free-carried for the drilling of Hawkeye-1 whilst retaining a significant 78.18% working interest. Further, Otto has received an expression of interest from the Philippine National Oil Company – Exploration Company to farm-in for a 15% interest and the parties are currently awaiting required approvals from the Office of the President in order to close this transaction.

Matthew Allen, Otto’s CEO said: “Final preparations for the drilling of the Hawkeye-1 exploration well are considerably advanced. This is a very exciting time for Otto as we undertake this important and potentially high impact, drilling event on behalf of the Philippines Department of Energy and our joint venture partners. With a significant free carried interest, Hawkeye-1’s success would be transformational for Otto”.

~Ends~

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 South East Asia and East Africa
- Formerly Operator of the producing Galoc oil field in the Philippines

COMPANY OFFICERS

Rick Crabb	Chairman
Ian Macliver	Director
Rufino Bomasang	Director
John Jetter	Director
Ian Boserio	Director
Matthew Allen	CEO
Craig Hasson	CFO
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Appendix 1: Hawkeye Prospect

SC55 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.

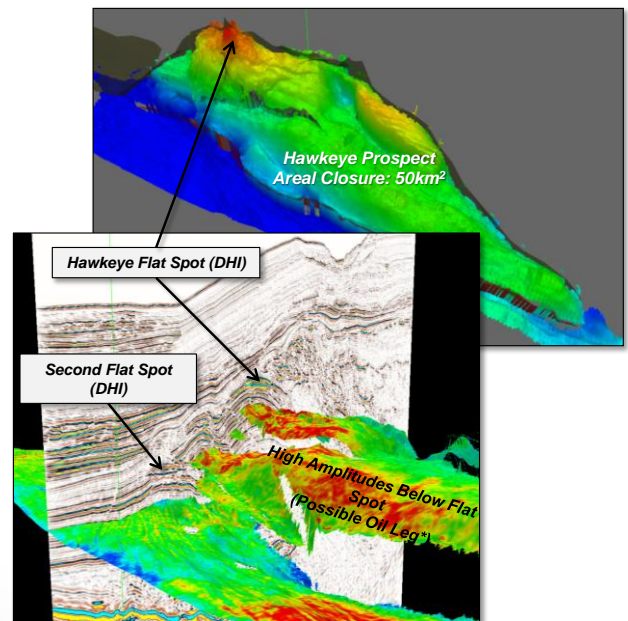
The Hawkeye prospect was identified on 2D seismic originally acquired by Otto in 2007 and further defined with the 600 km² 3D seismic acquisition in late 2009. Hawkeye contains:

- 'Best Estimate' STOIP of ~ 480 MMbbl of oil; and
- 'Best Estimate' Net Prospective Resource of 74 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 in the Philippines for over 10 years and regards the fiscal terms as amongst the best in Asia. The Philippine fiscal terms assist with 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	1,690 metres
Objective Depth	2,750 metres
STOIP, mmstb	87 - 484 - 1,539 (Low – Best- High)
Net Prospective Resource (*), MMbbl	12 - 74 – 266 (Low – Best- High) *Represent Otto 78.18% WI post farm-down to Red Emperor
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



Joint Venture Partners:

<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)	40.00
Red Emperor Resources NL (ASX RMP)	15.00
Palawan55 Exploration and Production Company (Wholly owned subsidiary of Trans-Asia Petroleum Corporation)	6.82

Note: Philippine National Oil Company – Exploration Company (PNOC-EC) has expressed interest to farm-in for a 15% working interest in SC55. The farm-in is subject to approval by the Office of the President of the Philippines, which is currently being sought.