

11 May 2011

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

By E-Lodgement

Highlight:

- **Farm-in option exercised in SC 55, Offshore Palawan, Philippines**

Otto Energy Ltd (ASX:OEL) is pleased to announce that BHP Billiton has exercised the option to farm-in to Service Contract 55 (SC55).

Subject to joint venture and regulatory approval, BHP Billiton will earn up to 60% participating interest and assume operatorship of the block by reimbursing Otto's past costs and funding one offshore deepwater well by 2012, with an option to drill a second well in a subsequent phase by 2013. Otto Energy will retain a 33.18% interest following BHP Billiton's farm-in.

The farm-in option held by BHP Billiton was granted in January 2010, and Otto has worked over the past 16 months to acquire, process and interpret approximately 1,800 km² of 3D seismic data in the block.

The extensive 3D seismic data indicates the presence of an active petroleum system coupled with a series of large to very large Nido Carbonate structures that supplement the Hawkeye prospect.

Otto's Managing Director Paul Moore said, "We are looking forward to continuing to work with BHP Billiton in Service Contract 55 as we move into the drilling phase of exploration activities. The past 16 months has been a very busy period for Otto as we have acquired, processed and interpreted a large volume of seismic data to identify a portfolio of significant oil and gas prospects. We have benefited from the co-operation shown by our joint venture partner, Trans-Asia, and also BHP Billiton."

"We now look forward to participating in this exciting offshore deepwater exploration programme which will provide exposure for Otto's shareholders to material exploration in highly prospective, large structure opportunities."

Otto will submit the required assignment documents to the joint venture partner and the Philippine Department of Energy for approval of the transfer of participating interest to BHP Billiton.

Yours faithfully

Paul Moore
Managing Director

Contact:

All enquiries are to be addressed to Matthew Allen, Chief Financial Officer on +61 8 6467 8800 or email info@ottoenergy.com

OTTO AT A GLANCE

- 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.

COMPANY OFFICERS

Rick Crabb	Chairman
Paul Moore	Managing Director
Ian MacIver	Director
Rufino Bomasang	Director
John Jetter	Director
Ian Boserio	Director
Matthew Allen	CFO/Coy Secretary

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.

APPENDIX 1: SERVICE CONTRACT 55 SUMMARY

SC55 Permit Overview

Joint Venture Partners:

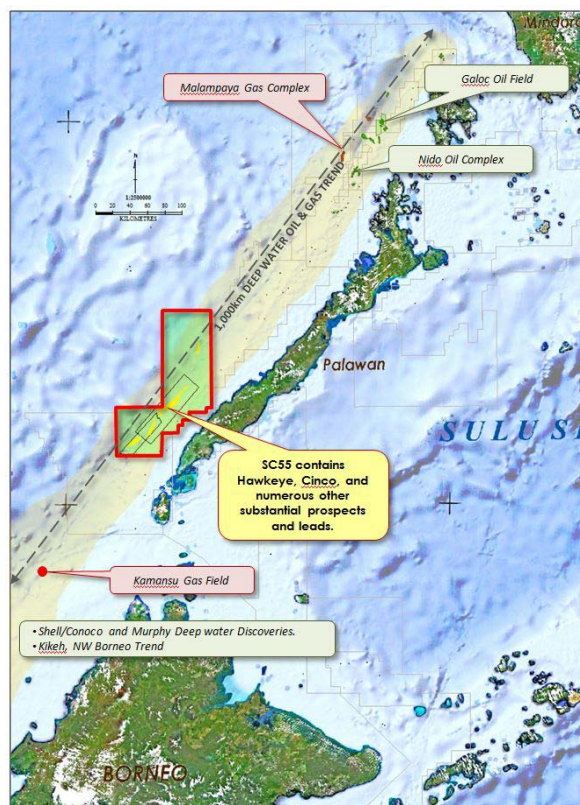
Name	Percentage
OEL (through 100% subsidiary NorAsian Energy Ltd)	93.18
Trans-Asia Oil & Energy Development Corporation	6.82

Work Program:

Sub-Phase	Date	Commitment
3	Aug 09 – Aug 11	3D Seismic acquisition
4	Aug 11 – Aug 12	1 Deepwater Well
5	Aug 12 – Aug 13	1 Deepwater Well
Extension Period	Further 3 years allowed	

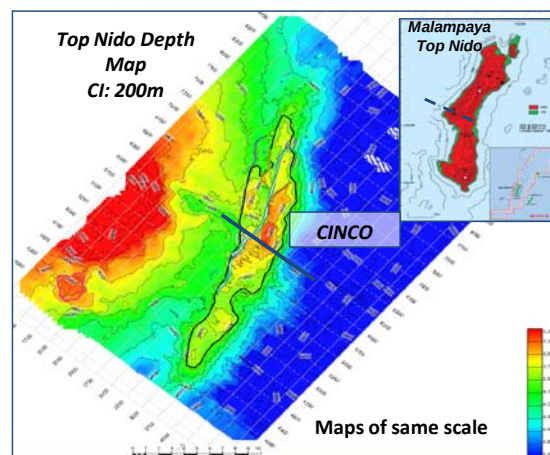
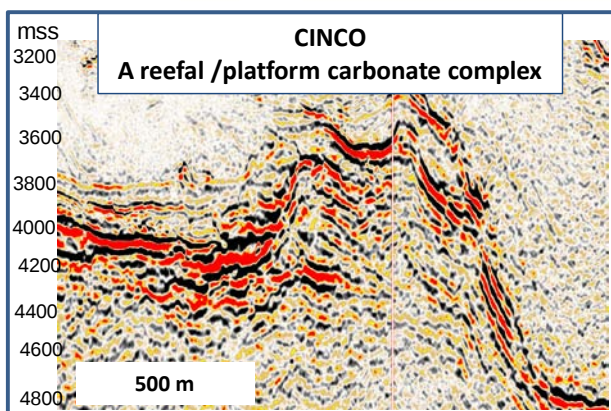
Fiscal Terms of Production Sharing Contract:

Factor	Percentage
Cost recovery cap	70
Contractor profit share	40
Filipino participation incentive allowance	7.5
Corporate Tax (paid from Government share)	30



APPENDIX 2: CINCO PROSPECT

SC55 Leading Drilling Candidate – CINCO



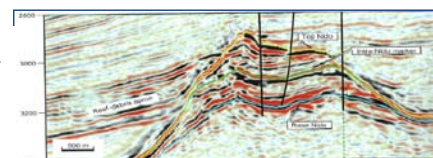
Cinco Prospect (OEL WI post farm-down 33.18%)

Area of Closure	53 km ² Up to 500m column height
Water Depth	1,430 metres
Objective Depth	3,120 – 4,500 metres
Initial Success Case Gross Recoverable Resource Estimate	
Gas	0.47 – 3.8 Tcf (mean of 2.1 Tcf)
Condensate	16 – 132 MMbbls (mean of 74 MMbbls)

CINCO Comparable areal closure to Malampaya

MALAMPAYA Analogue

Same scale



MALAMPAYA (Northern Palawan)
(Proven Reserves 2.5 Tcf Gas and 81 MMbbl Condensate)