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Manager of Company Announcements
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By E-Lodgement

OTTO-OPERATED JOINT VENTURE APPROVES DRILLING OF THE DUHAT-2 EXPLORATION WELL IN MID-2013 (SC-51 NORTH, THE PHILIPPINES)

Highlights:

- **Joint venture partners approve work plan and budget for the Duhat-2 well after targeted seismic program.**
- **Success case mean resource of 23 million barrels and potential upside of 59 million barrels (gross volumes).**
- **Well to be funded from current cash reserves and cashflow.**
- **Duhat-2 well is one of three material exploration events planned by Otto in 2013 along with the Galoc exploration well and drilling of the SC-55 prospect.**

Otto Energy Limited ("Otto", ASX: OEL) announces that the SC-51 North Joint Venture (Otto 80%) in the Philippines has approved the work plan and budget to drill the Duhat prospect in mid-2013.

The decision follows a targeted seismic program in 2012 that confirms the robustness of the large anticline that was poorly defined on previous seismic data.

Otto recently doubled its equity in SC-51 North to 80%. The Duhat prospect has success case mean resources of 23 MMbbls and upside of 59MMbbls (gross field volumes) and is one of three material share price re-rating exploration events planned by Otto in 2013.

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 Onshore 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

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Otto's share of the cost will be funded from current cash reserves and continued revenue. Otto is progressing activities to secure a rig for Duhat-2 with a target spud date around mid-2013.

Additional background on SC51 North and Duhat-2 can be found below.

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Background

The island of Leyte is situated in the eastern Visayan region of the Philippines, fig.1. The area has been known for more than a century to be the site of numerous fresh natural oil seeps and the Balite tar sands which have been mined in the past for bitumen. The presence of natural seeps and surface indications of large anticlinal features with the potential for petroleum reservoirs are strong positive indicators of the prospectivity of a basin largely untested by modern drilling.

The first and only deep well in the basin, Calubian-1 (2500m), drilled on Leyte, was positioned on surface observations in 1957 and indicated the presence of both oil in side wall cores and Miocene age reservoir sands. The recently acquired seismic has proven that this well was drilled off structure, an invalid test, and being the only deep well in the region confirms that the potential of the entire region has yet to be effectively tested.

New Seismic

During 2012 Otto Energy, on behalf of its Joint Venture partners, acquired 150km of new high quality 2D seismic data over the San Isidro anticline. This anticline has been identified from surface information for sometime but was previously poorly understood and only defined by a sparse (50km) and poor quality seismic, fig.2

The new data has confirmed a large target, fig.3 which will be tested by the Duhat-2 well during 2013.

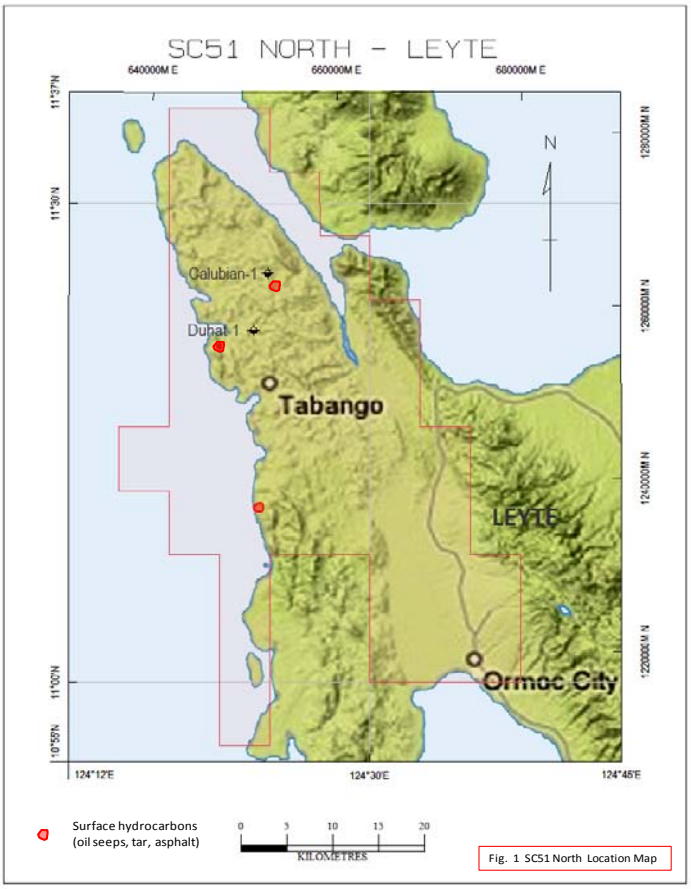

Fig. 1 SC51 North Location Map

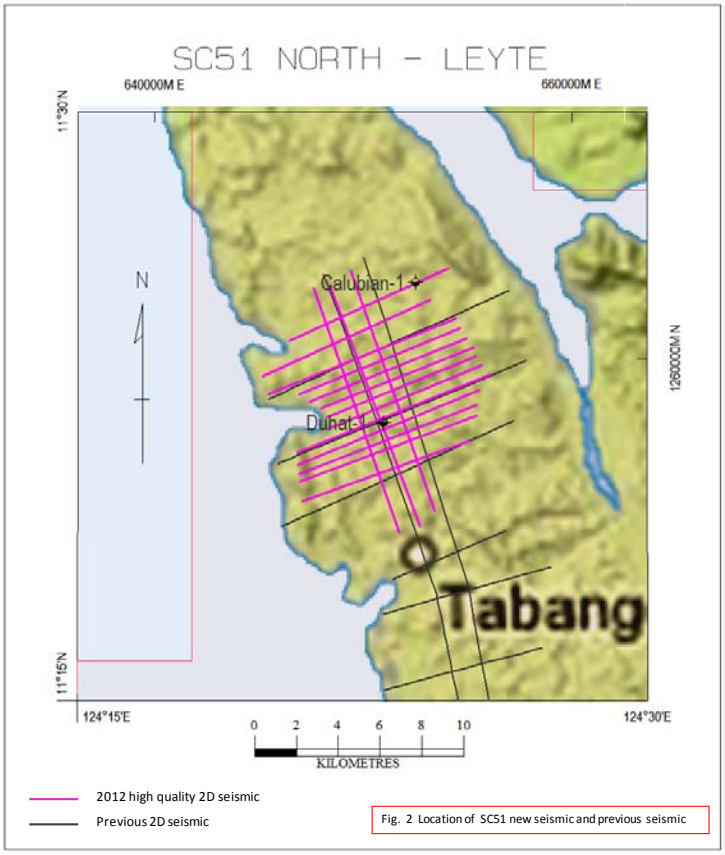

Fig. 2 Location of SC51 new seismic and previous seismic

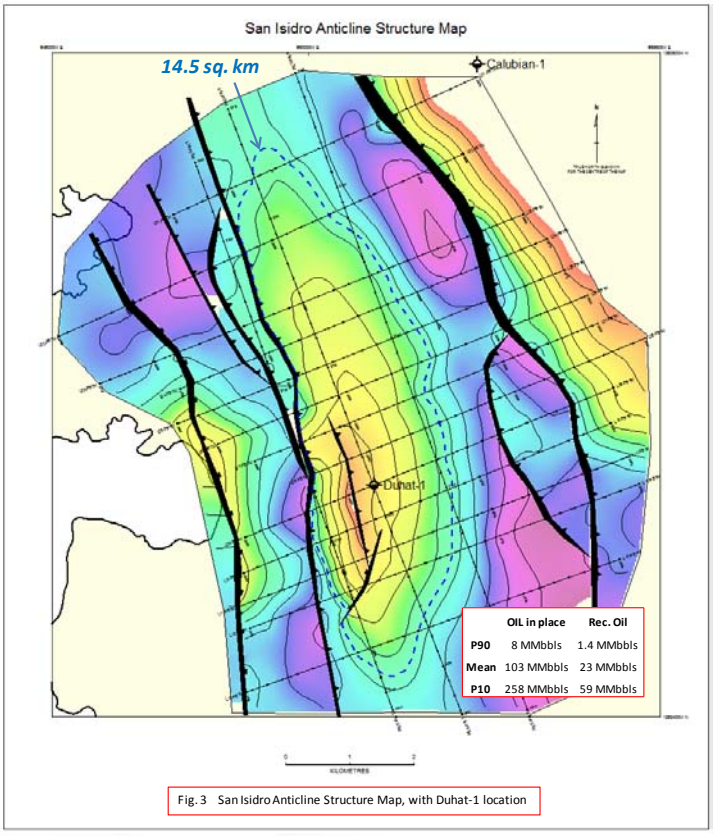

Fig. 3 San Isidro Anticline Structure Map, with Duhat-1 location

Why drill Duhat-2

The Duhat-1 well was a well drilled in 2011 to test the San Isidro anticline. Mechanical limitations of the rig equipment led to a decision to abandon the well at only 350m. This meant that the well could not penetrate the reservoir intervals prognosed to lie in the deeper sections of the well at 500-800metres. However during drilling at Duhat-1, oil and gas indications were observed and during acquisition of the recent seismic data oil seeps were encountered in exploration shot holes.

All of this evidence demonstrates that Leyte and in particular the San Isidro area contains an active petroleum system. New seismic data has confirmed the presence of a large anticline with the potential to host a significant oil and/or gas accumulation, fig. 4. With the penetration of a thick sealing interval at Duhat-1 and reservoir in the Calubian-1 well all the elements exist for a potential major hydrocarbon discovery on Leyte.

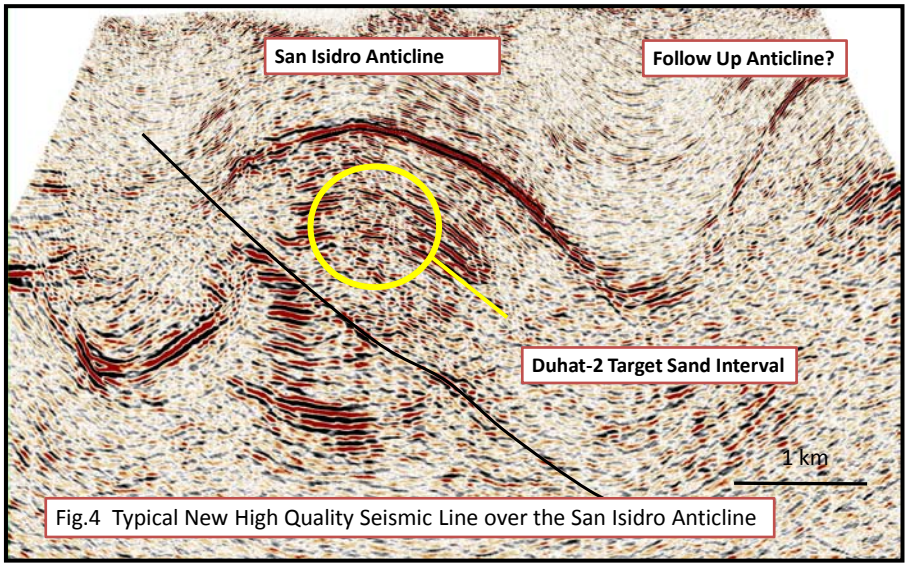

Fig.4 Typical New High Quality Seismic Line over the San Isidro Anticline

What might success look like?

Duhat-2 is programmed to drill to a minimum depth of 1000m. From regional correlation work reservoir quality sands are expected in the interval 500-800m. Mean resources for Duhat are estimated to be 23MMbbls with upside potential to 59 MMbbls.

With the excellent fiscal terms in place in the Philippines even a modest oil discovery at Duhat is likely to be commercially viable. Dependent on the scale of the discovery oil can be produced and transported either by truck or pipeline to barges at the nearby San Isidro wharf less than 10km away. Any discovery could be quickly completed and put on a long term production test.

What about upside?

The San Isidro anticline itself is a potentially significant target with upside recoverable oil volumes of 59MMbbls. Surface information combined with new and old seismic data suggests that San Isidro is only one of a number of large anticlinal structures in the permit, fig. 5. Success at Duhat has the potential to not only identify a new oil field but a new petroleum province. With low onshore drilling costs and a host of follow up potential, SC-51 North has the ability to transform Otto and its partners into significant onshore producers of crude in a short timeframe.

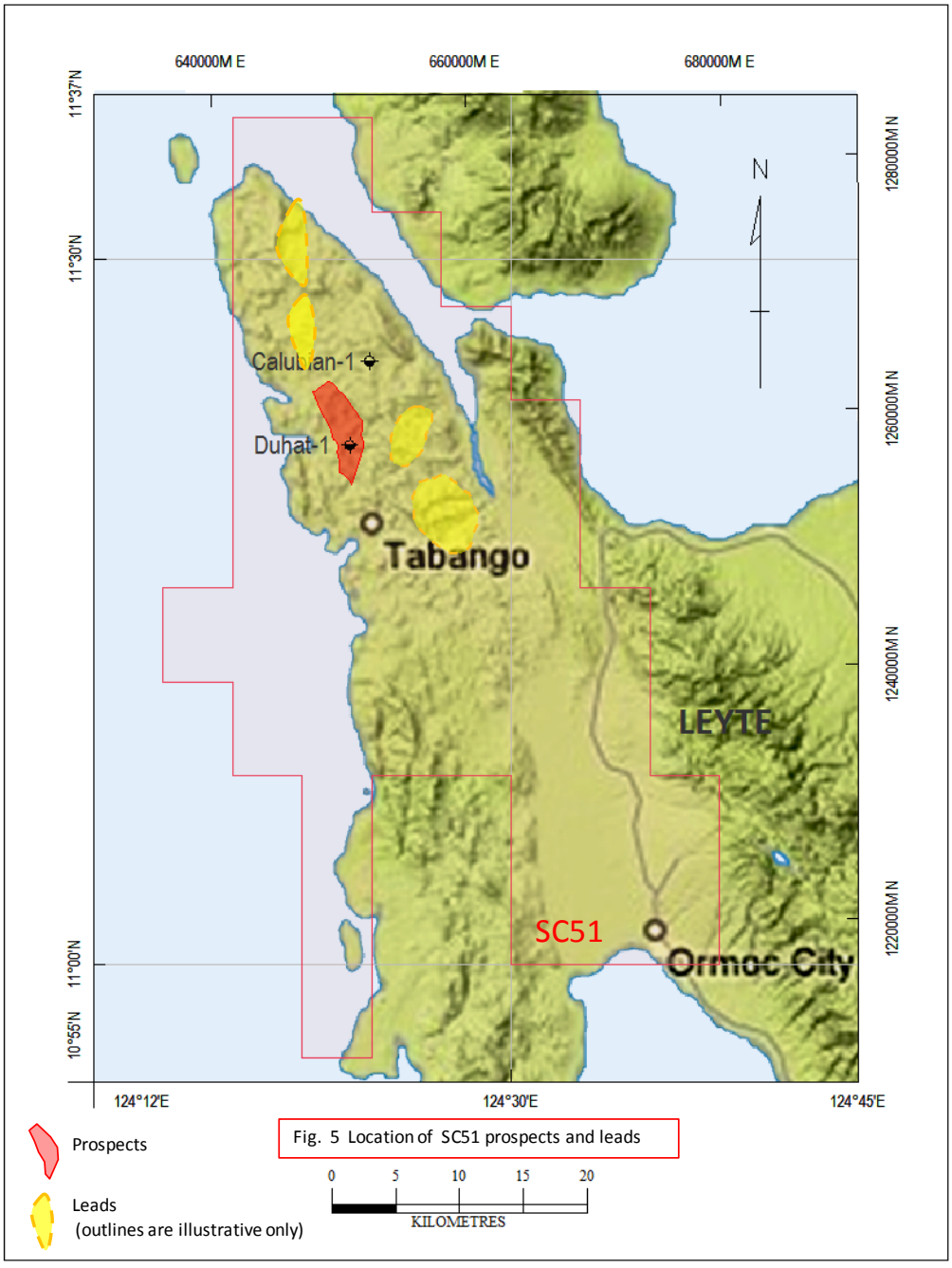

Fig. 5 Location of SC51 prospects and leads

Competent Persons Statement:

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 13 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.