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

By E-Lodgement

DRILLING TO COMMENCE BY LATE JULY AT THE DUHAT OIL PROSPECT IN SC51

Highlights:

- Rig mobilisation for the Duhat-2 exploration well has commenced and the well is expected to start drilling in late July 2013
- Prospect contains a mean Prospective Resource oil volume of 34 MMbbls with a range of 1 to 88 MMbbls
- Exploration success at Duhat-2 will significantly de-risk multiple follow-up structures
- Duhat-2 is one of several growth catalysts in Otto's portfolio, including Galoc Phase II, SC55 and seismic being acquired in Tanzania
- Well is fully funded from existing cash flow from Galoc field

Otto Energy Limited ("Otto") (ASX:OEL), as operator of the Service Contract 51 ("SC51") joint venture onshore the island of Leyte in the Philippines, provides the following update on preparations for drilling the Duhat-2 exploration well.

The contracted rig, Desco Rig-30, has commenced mobilisation from Batangas to the port of San Isidro, after which it will proceed to the Duhat-2 drill site, less than 10 km from the port. The rig and all other required equipment are expected to be on site and ready for drilling to commence by late July 2013.

Imminent Growth Catalyst

The Duhat-2 well is targeting a 13 km² prospect on the San Isidro anticline that has been mapped to contain a mean Prospective Resource of 34 MMbbls with a range of 1 to 88 MMbbls. Nearby oil seeps indicate clear evidence of a working petroleum system in the area and drilling is supported by quality 2D seismic data, which has substantially de-risked the structure. Given the onshore location of Duhat-2, a discovery as small as 1 MMbbls could be economic.

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 cash flow
- 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

Potential for Early Production following Exploration Success

In the case of exploration success at Duhat-2, field development and production could occur as early as 2014 as part of an extended production test. Full-field development would then follow.

Otto Chief Executive Officer Gregor McNab said: *"Drilling of the Duhat-2 well demonstrates Otto Energy's commitment to deliver value from our exploration portfolio which is focused on East Africa and the Philippines. Commencement of rig mobilisation for this well marks the start of our third operated well in 2013, alongside the 2 development wells being drilled for Galoc Phase II. Prudent financial management has allowed us to fully fund these activities without dilution of shareholder's interests despite difficult market conditions. Duhat-2 is targeting an exciting large oil prospect with significant upside and the potential to deliver a second production asset for Otto in the near term. Given the low onshore drilling costs for Duhat-2, we have retained a significant 80% working interest without over exposing our balance sheet to a single opportunity. "*

Further information about the Duhat Prospect is set out in the Appendix attached to this announcement.

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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 14 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: DUHAT PROSPECT

Prospect Description

- Duhat prospect mapped to contain a mean Prospective Resource oil volume of 34 MMbbls with a range of 1 to 88 MMbbls
- Prospect significantly de-risked by the quality 2D seismic data acquired in 2012
- Clear evidence of a working petroleum system in the area with live oil recovered to surface during 2012 seismic program

The exploration well, Duhat-2, is intended to be drilled to 1,050m and is proposed to test the San Isidro anticline on the western side of the northwest Leyte peninsula.

The earliest well drilled on northwest Leyte was a stratigraphic test at San Isidro-1 completed in May 1958 on the north-western tip of the island to 457m. No hydrocarbons were detected. This was followed by the off-structure Calubian-1 in November 1958 which reached a total depth of 2,552 m. Oil shows were reported in side wall samples from the Tagnocot Formation despite the well being off structure, importantly these shows were in good quality sandstones now being targeted at Duhat-2

There have been two previous attempts to test the crest of the San Isidro anticline with San Isidro SX-1/2 in 2000 and Duhat-1 in 2011. Both wells were programmed to reach a total depth of 1,000m, though failed to drill beyond 300m due to an inability to progress beyond stressed claystone formations. A review of lessons learned from the Duhat-1 and Duhat-1A drilling campaign in 2011 highlighted the need for a rig with increased draw works, hook load and mud handling capacity to mitigate the risk of stuck pipe incidents and maximise the ability to reach prognosed reservoir intervals beneath the problematic claystone formations.

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. Mapping with the better quality 2012 seismic data and regular line spacing has confirmed a large faulted anticline and allowed the optimal placement of the Duhat-2 well away from the fracture zones seen at Duhat-1.

The proposed Duhat-2 well is planned to test potential for multiple oil bearing sand intervals in the Middle Miocene Tagnocot Formation. Prospective Resource oil volumes range from approximately 1 to 88 MMbbls, with a mean Prospective Resource of 34 MMbbls.

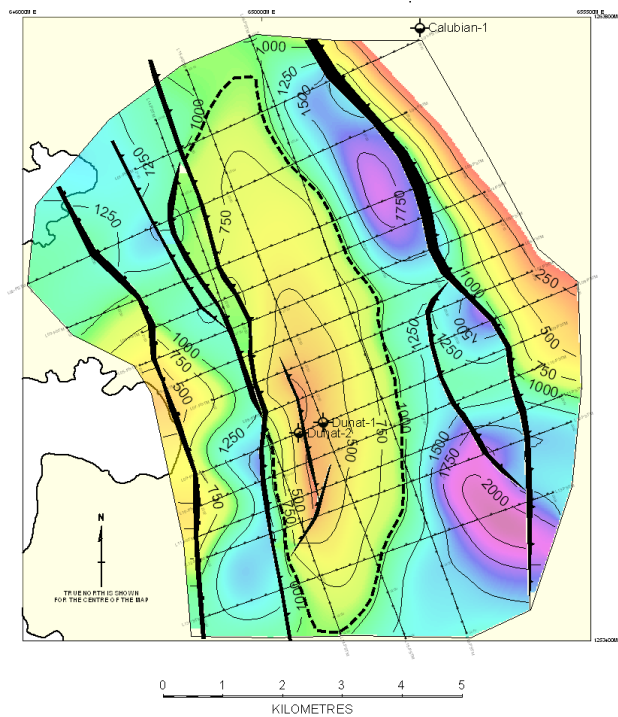


Figure 1: Top Structure map of Duhat Prospect

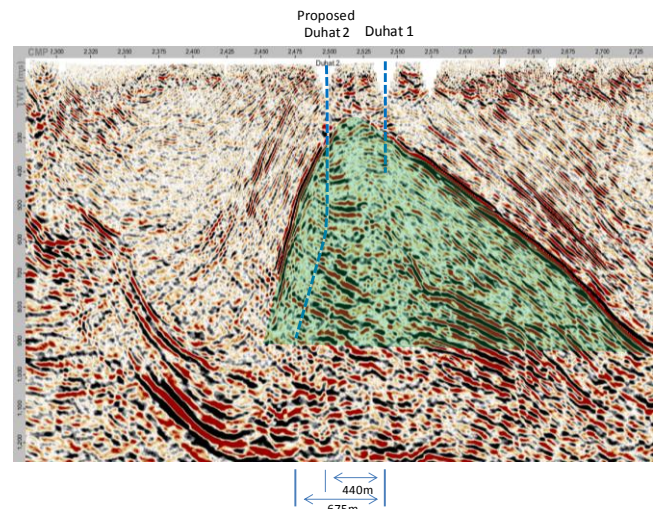


Figure 2: Seismic line through Duhat Prospect

Table: Duhat Prospect In-place and Prospective Resources

	STOOIP (MMbbls)	Prospective Resource (MMbbls)
P90	5	1
P50	68	13
P10	433	88
Mean	163	34

Prospectivity supported by known oil seeps:

The oil potential of northwest Leyte Island has long been highlighted by the Balite asphalt/bitumen and tar-sand deposit and the Tagharigue oil seep observed along a tributary of the Calubian River. The Tagarigue seep is defined by a black oil oozing from bedding planes within Miocene claystones and associated gas bubbles observed in the water of the creek.

New evidence of live-oil on the western flank of the San Isidro anticline was indicated from an oil sample recovered at one of the shot holes during the 2012 seismic survey. This liquid sample is clear evidence of an active and recent oil producing system capable of charging the Duhat Prospect.

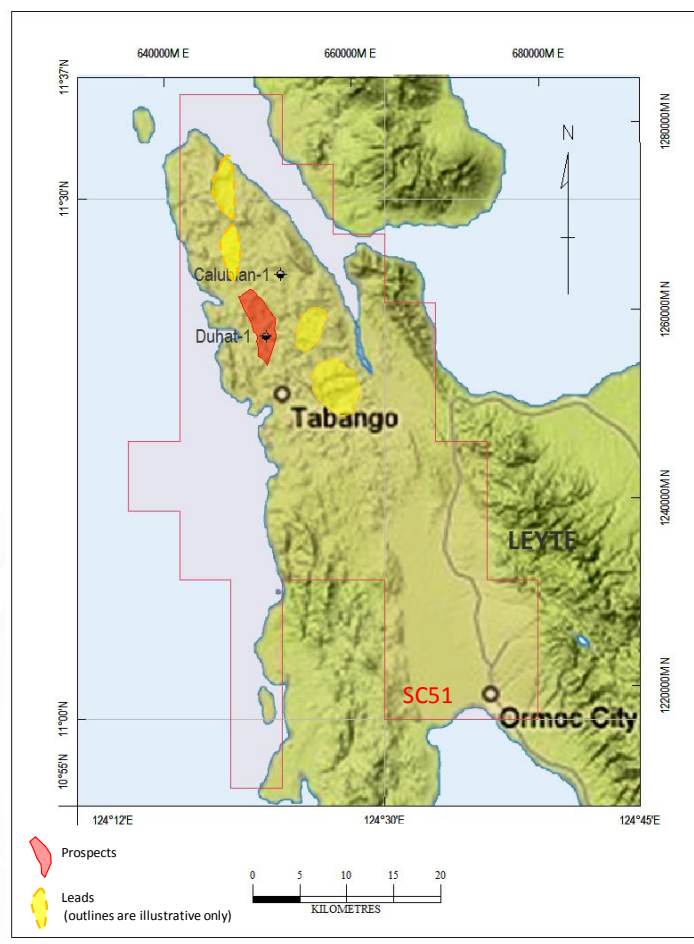


Figure: Oil sample recovered from shot hole during 2012 seismic acquisition

Upside Potential

- Potential for immediate follow-up structures in the 1,660 km² SC51 area

The San Isidro anticline itself is a large target with upside Prospective Resource oil volumes of up to 88 MMbbls. Surface information combined with the 2012 and previously acquired seismic data suggests that San Isidro is only one of a number of large anticlinal structures in the permit. 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 significant follow up potential, SC51 North has the ability to allow Otto and its partners to realise significant onshore crude oil production in the near term.



Drilling Program

- Desco drilling rig 30 has mobilised from Batangas to San Isidro and ultimately the drill site
- Commencement of drilling expected during late-July 2013

The drilling rig and equipment have now commenced mobilisation to the drilling site and it is expected that drilling will commence in late July 2013. The well is expected to take 31 days on a dry hole basis and in a success case will be cased and suspended for further evaluation.

The Desco Rig 30 has substantially more capability than the rig contracted to undertake the drilling of the Duhat-1 well in 2011. At 350,000 lbs hook load capacity Rig 30 has over 3.5 times more pulling capability than the rig used at Duhat-1. The rig also has significantly enhanced pump and hole cleaning capability.



Figure: Desco Rig 30 on location at Monte Oro-1 well in Northern Luzon, Philippines

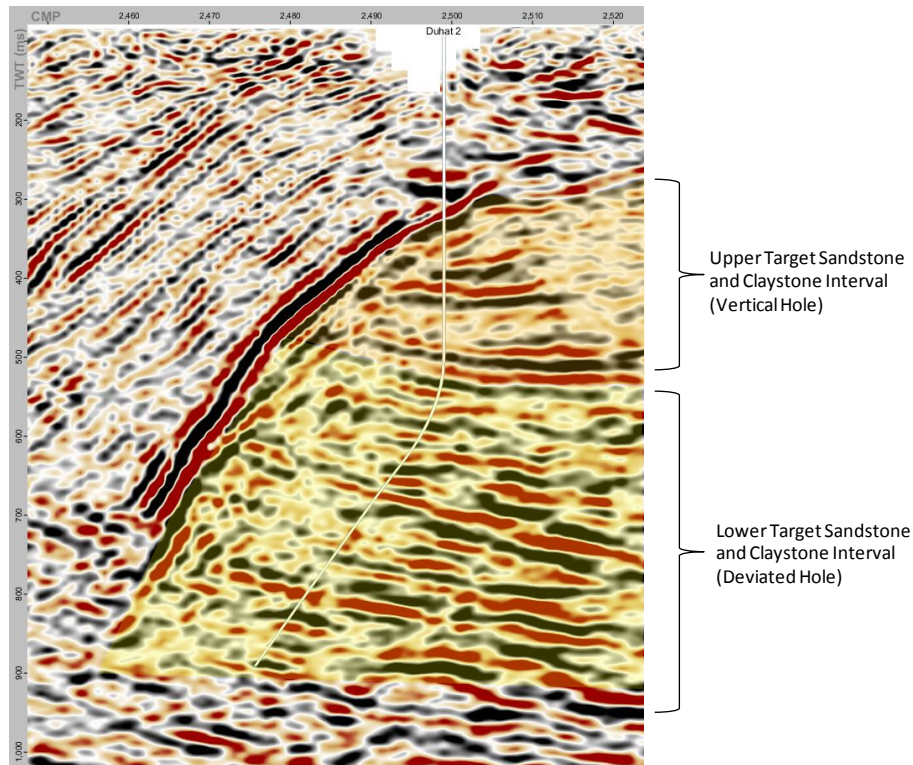


Figure: Duhat-2 well path

Potential Development Program

- Scalable potential development with volumes as small as 1 MMbbls being economic

Success at Duhat has the potential to not only identify a new oil field but a new petroleum province. Dependent on the scale of the discovery oil can be produced and transported either by truck or pipeline to the coastline less than 10km away. Any discovery could be quickly completed and put on a long term production test.

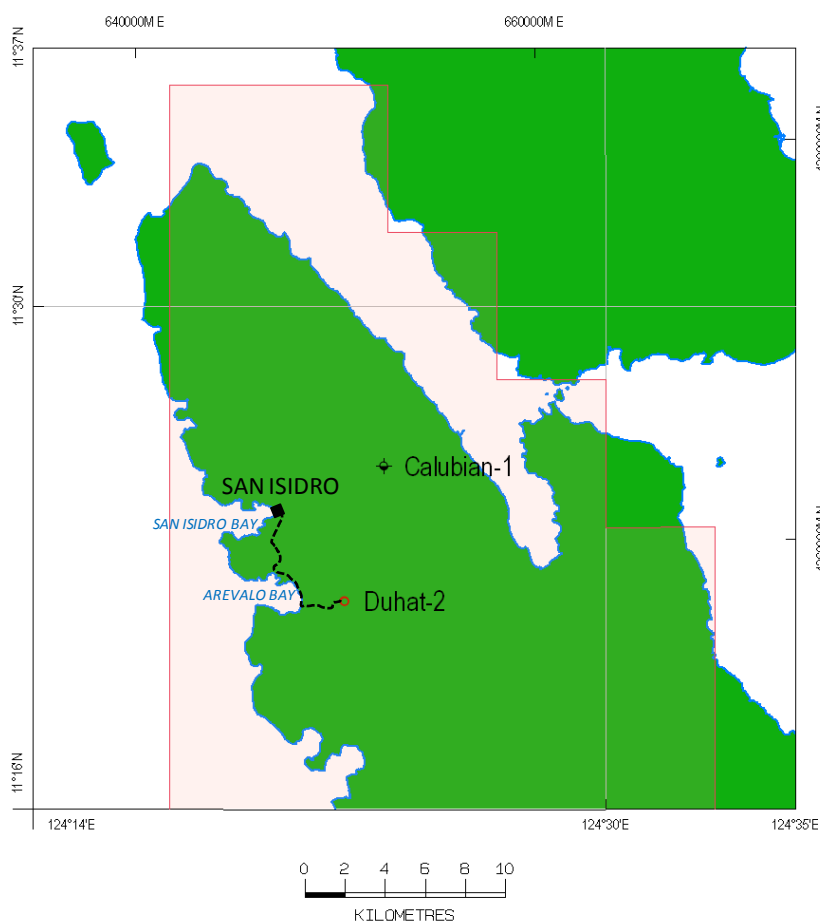


Figure: Location of Duhat prospect to San Isidro port

Joint Venture Partners:

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