

25 July 2013

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

By E-Lodgement

DRILLING COMMENCES ON THE DUHAT OIL PROSPECT IN SC51

Highlights:

- The onshore Duhat-2 exploration well has commenced drilling
- 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 joint venture onshore the Philippines, provides the following update on the Duhat-2 exploration drilling campaign.

Progress

Otto is pleased to advise that at 1600 hours on 24 July 2013, the Desco Rig 30 drilling rig commenced drilling the Duhat-2 exploration well. Drilling is expected to take approximately 31 days on a dry-hole basis.

Forward Plan

The forward plan is to drill the 8 ½" pilot hole to 230m and then open this hole to 17 ½" prior to setting the 13 ⅜" casing.

--Ends--

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

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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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.

Location and Proposed Depth

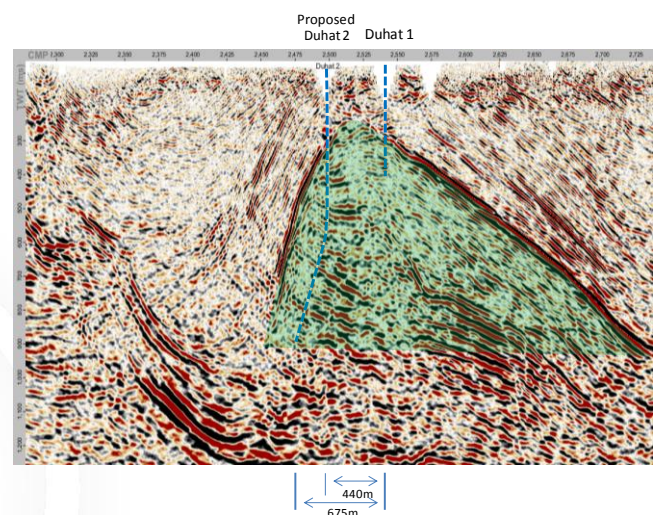
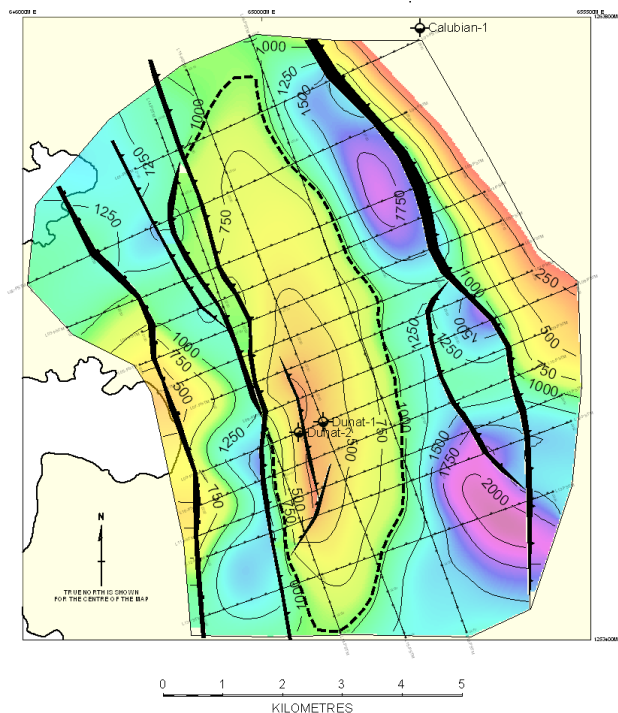
The exploration well, Duhat-2, is intended to be drilled to 1,050m and is proposed to test the San Isidro anticline on the western side of the northwest Leyte peninsula.

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.



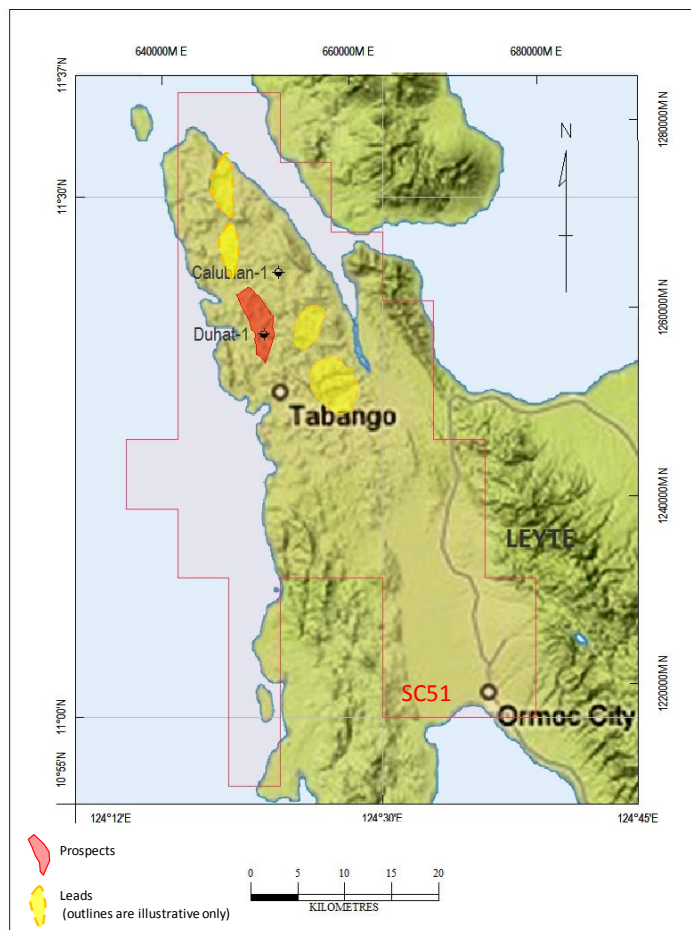


Table: Duhat Prospect In-place and Prospective Resources

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

APPENDIX A: SUMMARY

SC51 Duhat-2 Exploration Well	
Location	Onshore Leyte, Philippines
Permit	SC51
Well Type	Inclined exploration well
Target	San Isidro Anticline onshore Leyte targeting the Middle Miocene Tagnocot formation
Water Depth	Onshore
Planned total depth	Approximately 1,000 metres
Duration	31 days (assuming dry hole and well is plugged and abandoned)

Note: Depth is measured in metres below the rig rotary table or drilling floor

Joint Venture Partners:

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