

5 December 2013

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

By E-Lodgement

COMMENCEMENT OF PRODUCTION FROM GALOC PHASE II

Highlights:

- Galoc-5H and 6H wells successfully commissioned and production commenced
- First production delivered just over 14 months after project approval
- Production from Galoc is currently at 14,500 barrels of oil per day and is expected to be operated at 12,000 barrels a day from four wells going forward
- Otto has a 33% stake in Galoc and is the field Operator

Otto Energy Limited ("Otto") (ASX:OEL), on behalf of the Philippines Department of Energy (DOE) and the Galoc oil field Joint Venture, is pleased to announce that production has commenced from the Galoc-5H and 6H wells drilled and completed under the Phase II development of the field.

Commissioning of the Galoc Phase II project represents a major achievement for the DOE, Otto Energy (the Operator) and the other partners within the Galoc Joint Venture. Initial production is 14,500 barrels of oil per day and the four well system is expected to be operated at 12,000 barrels of oil per day going forward.

Galoc has produced more than 11 million barrels of oil since it was commissioned in 2008. Ultimate recovery from the field, with the addition of Galoc-5H and 6H, is expected to be approximately 25 million barrels of oil with end-of-field life extended beyond 2020.

Otto, as operator, has delivered Phase II from sanction to commencement of production in just over 14 months. Phase II has been delivered safely and close to both the original budget and schedule set in August 2012. The project has experienced many challenges including maintaining safe operations during the recent Super Typhoon Haiyan and successful drilling of the horizontal wells through the Galoc reservoir.

Otto Chief Executive Officer Gregor McNab said:

"Development of any offshore field presents unique challenges – particularly so for a field like Galoc in a remote location – and so I would like to thank the Otto team who have committed their significant experience and professionalism to successfully bring Galoc Phase II into production. This achievement is a credit to the

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

Department of Energy which has worked relentlessly to promote oil and gas activity in the Philippines, our joint venture partners and all of our contractors.”

Mr McNab added:

“For Otto shareholders this represents a significant milestone, with our share of cash flow from Galoc set to increase substantially, providing the company with additional funds to finance our exploration and development activities in South East Asia and East Africa. It also represents a major validation of our capability as an operator as we consider new ways in which to grow the company and deliver returns to shareholders.”

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Figure: FPSO Rubicon Intrepid and MODU Ocean Patriot in operations in the Galoc oil field, June 2013

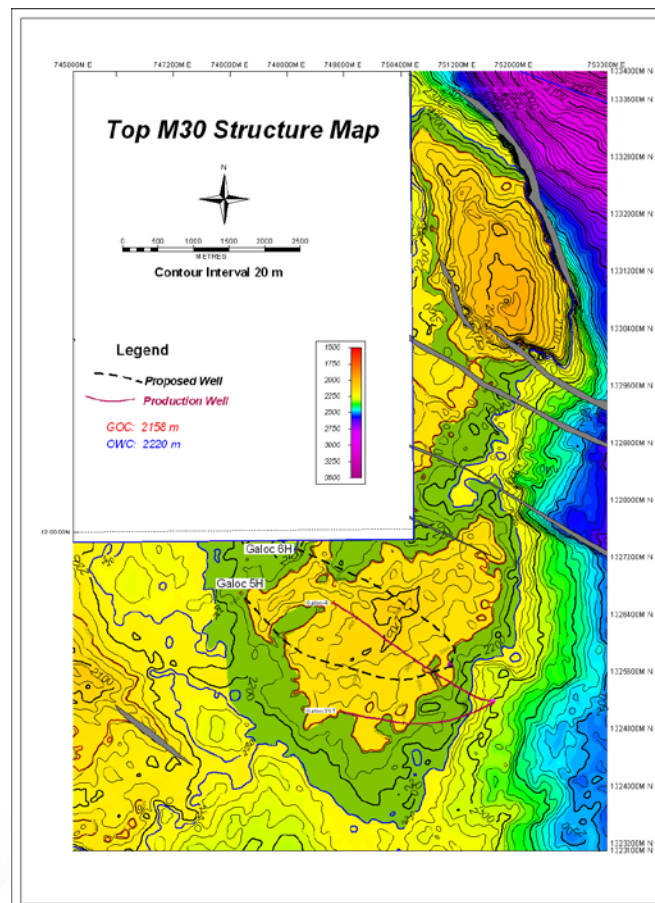
Project Overview

The Galoc field is located in Service Contract SC14C (Galoc Sub Block) in 290 metres of water approximately 65km North West of Palawan Island and 350km south of Manila in the Republic of the Philippines. The Galoc-5H and Galoc-6H development wells were drilled within the existing producing field that has delivered over 11 MMbbls of production since the field was commissioned in 2008.

The Galoc-5H and Galoc-6H development wells have been drilled to a total vertical depth of 2,190 metres with 1,777 metres of horizontal section in the G-5H well and 1,389 metres of horizontal section in the G-6H well.

After drilling of both Galoc-5H and Galoc-6H was completed, the DOF operated Skandi Skansen construction vessel successfully installed the subsea equipment and the hooked-up both wells to the FPSO Rubicon Intrepid.

Production commenced from the Phase II wells on 4 December 2013.



APPENDIX A: SUMMARY

SC14C Galoc-5H and Galoc-6H Development Wells	
Location	Palawan Basin, Philippines
Permit	SC14C
Well Type	Horizontal development wells
Target	Turbiditic sandstone in Miocene Galoc Classic Unit
Water Depth	Approximately 311 metres
Planned total depth	Approximately 2,190 metres vertical Total drilled length of 4,497 metres for the G-5H well Total drilled length of 3,958 metres for the G-6H well

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

Joint Venture Partners:

<u>Participant</u>	<u>Participating Interest %</u>
Galoc Production Company W.L.L. (Operator) (Wholly owned subsidiary of Otto Energy Ltd (ASX: OEL))	33.00000
Galoc Production Company No. 2 Pte Ltd (Wholly owned subsidiary of Kuwait Foreign Petroleum Exploration Company)	26.84473
Nido Production (Galoc) Pty Ltd (ASX: NDO)	22.87952
Oriental Petroleum & Minerals Corporation and Linapacan Oil Gas & Power Corporation	7.78505
The Philodrill Corporation	7.21495
Forum Energy Philippines Corporation	2.27575