

ASX : OEL



# Otto Energy

Company Overview & Investor Update - December 2013

# Disclaimer



This presentation does not constitute an offer to sell securities and is not a solicitation of an offer to buy securities. It is not to be distributed to third parties without the consent of Otto Energy Ltd (the “Company”).

This presentation contains forward-looking statements that are not based on historical fact, including those identified by the use of forward-looking terminology such as statements containing the words “believes”, “may”, “will”, “estimates”, “continue”, “anticipates”, “intends”, “expects”, “should”, or the negatives thereof and words of similar import.

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The hydrocarbon reserve and resource estimates are based on information compiled by Mr Nick Pink.

Mr Pink has more than 14 years of relevant experience and is qualified in accordance with ASX Listing Rule 5.11. Mr Pink is a full time employee of Otto Energy as its Senior Reservoir Engineer and has consented to the inclusion in the presentation of the information in the form and context in which is appears.

# Company Overview: Investment Rationale



1

**Strategy:** Focus on conventional hydrocarbon exploration and production within South East Asia and the East Africa Rift System (“EARS”).

2

**Production:** Galoc Phase II development finished in Q4 13 – production to >4,000 bopd plus 4.3mmboe reserves (both net to Otto). Expect delivery of 11 cargos in 2014 (100,000 bbl per cargo net Otto).

3

**Philippines Exploration:** 93.18% WI in high impact deep water exploration in SC55. 2 drillable targets identified with farm-in process underway. US\$27.5m of committed funding from BHP Billiton.<sup>1</sup>

4

**East Africa Rift System:** 50% WI in two onshore blocks in emerging hydrocarbon province. First prospect identified from 2D seismic. Further leads being assessed. Focus of new business growth.

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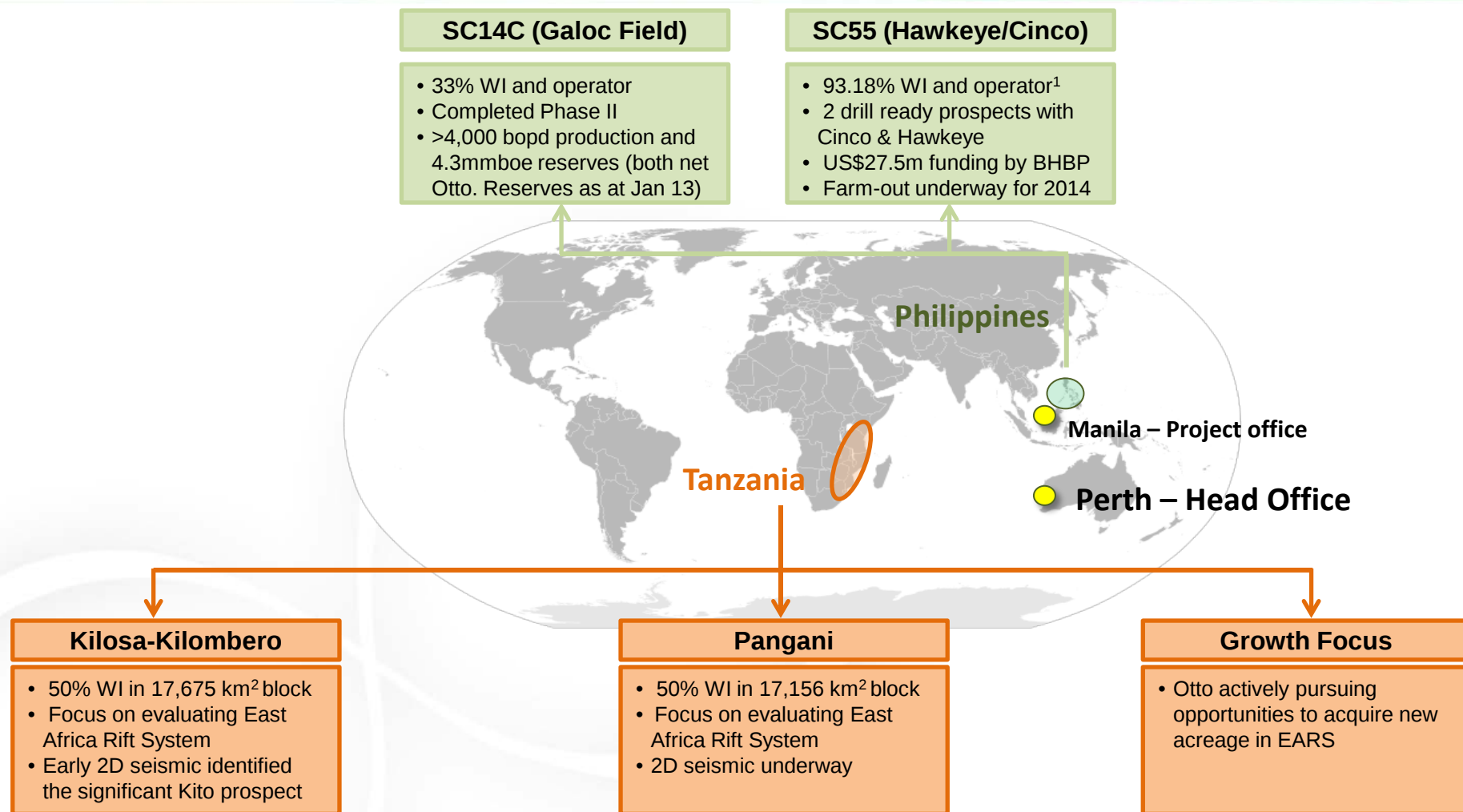
**Strong capital structure:** Cashflow from Galoc and demonstrated financial discipline.

6

**Proven management delivery:** Demonstrated track record in operations and commercial deal capture.

Note: <sup>1</sup> Executed Letter of Intent defining BHPB's terms of withdrawal from SC55. BHPB re-assigns its 60% interest and all future rights to Otto - Otto will retain 93.18% working interest. BHPB pays Otto US\$3mm when DOE approves the assignment – further US\$24.5mm payable upon drilling of first exploration well in SC55.

# Clear Regional Focus: Material Progress in Philippines and EARS

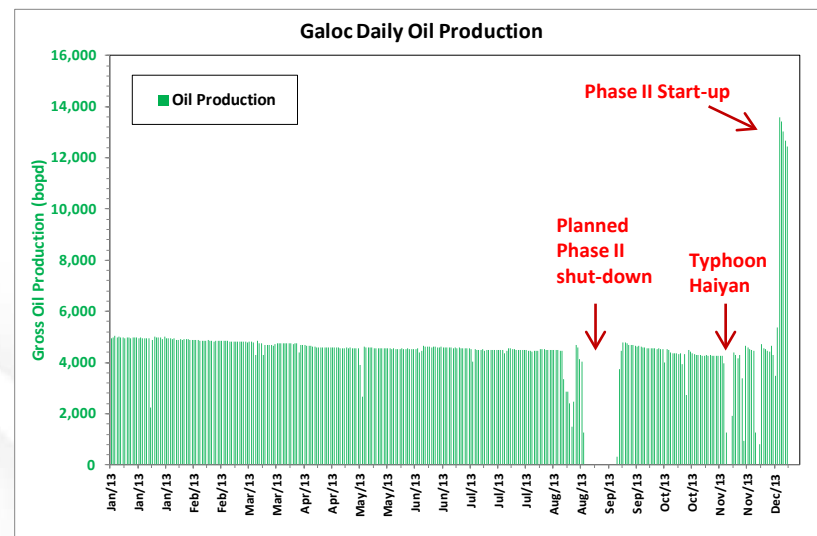


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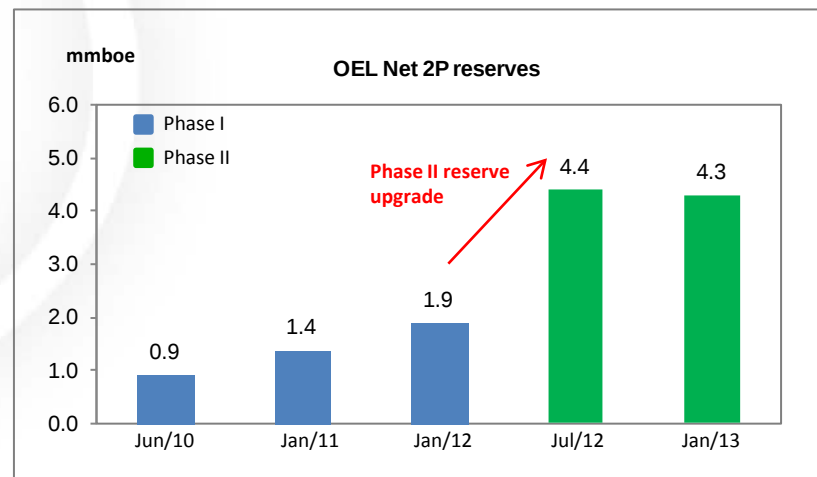
# Galoc Production (Otto 33% WI Operator): Reliable Cashflow Generation



- Reliable production operations since successful FPSO & mooring upgrade in early 2012 - >98% uptime & immediate restart post Super Typhoon Haiyan
- Recent successful delivery of Phase II scope by Otto as operator increased production 3 fold to >4,000 BOPD (net Otto)
- 4.3mmboe 2P reserves (net Otto) as at 31 January 2013 for Phase I and II
- Otto Phase II capital investment funded from revenue/low cost debt
- Field life extended out to ~2020
- Marketable product: 35° API oil, low sulphur crude easily placed into Asian market priced against Dubai benchmark plus premium



Note: Otto has a 33% working interest in gross field production



Note: Reserves net to Otto at time of reserve report. Updated reserve report to be published for 31 December 2013 following Phase II commissioning

# SC55 (Otto 93.18% Operator): High Impact and Drill Ready Prospects



## SC55 Permit Status

- Otto 93.18% interest currently re-assigning 60% WI from BHPB to Otto due to BHPB decision to exit Philippines<sup>1</sup>
- Current contract commitment to drill 1 exploration well by ~ October 2014.<sup>2</sup>

## Exploration and Drill Targets

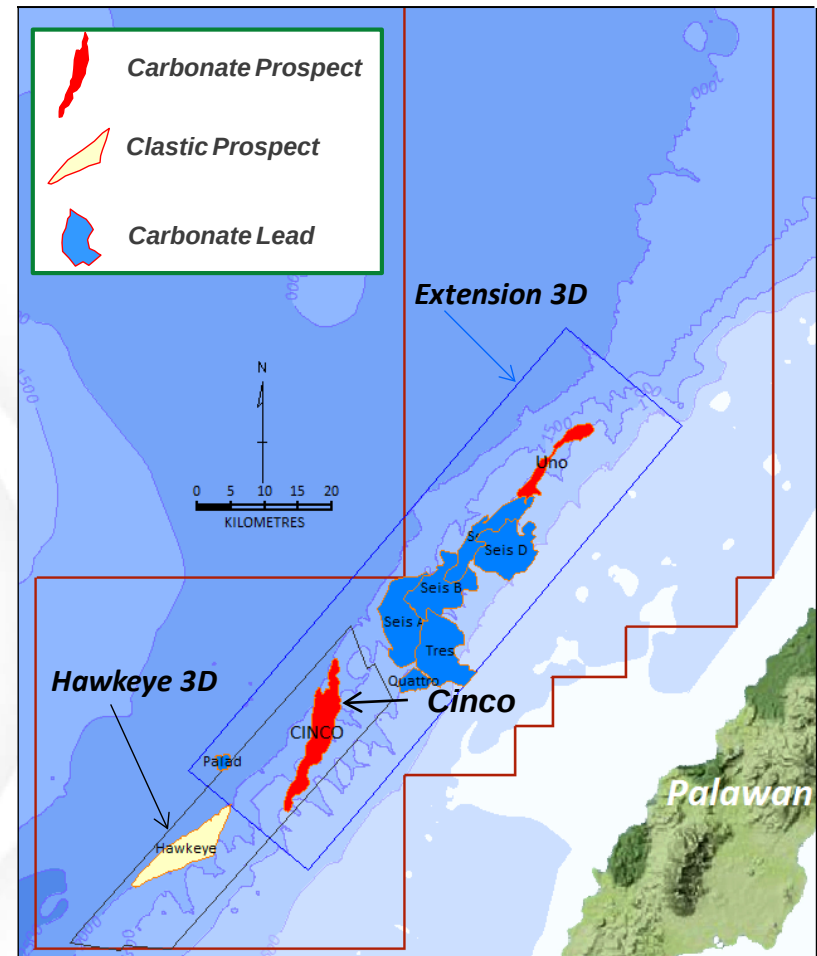
- Drill ready, high impact prospects defined by 3D seismic. Net prospective resources are:
  1. Hawkeye (15-318 mmbœ oil target)<sup>3</sup>
  2. Cinco (0.5-3.4 TCF gas target)<sup>3</sup>
- Significant follow-up leads and prospects

## Funding of Exploration Drilling

- US\$27.5m secured from BHPB for exploration drilling<sup>1</sup>
- Farm-in underway to manage portfolio risk exposure

## Next Steps

- Execute termination agreement with BHPB
- Secure DOE approvals for reassignment of operatorship
- Secure farm-in partner to participate in drilling either Hawkeye or Cinco
- Execute drilling program



Note:

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<sup>2</sup> Subject to Philippines DOE acknowledgement; <sup>3</sup> Represent Otto 93.18% net working interest in prospective resources

# East Africa Rift System:

## Otto Tanzania Position Material First Step



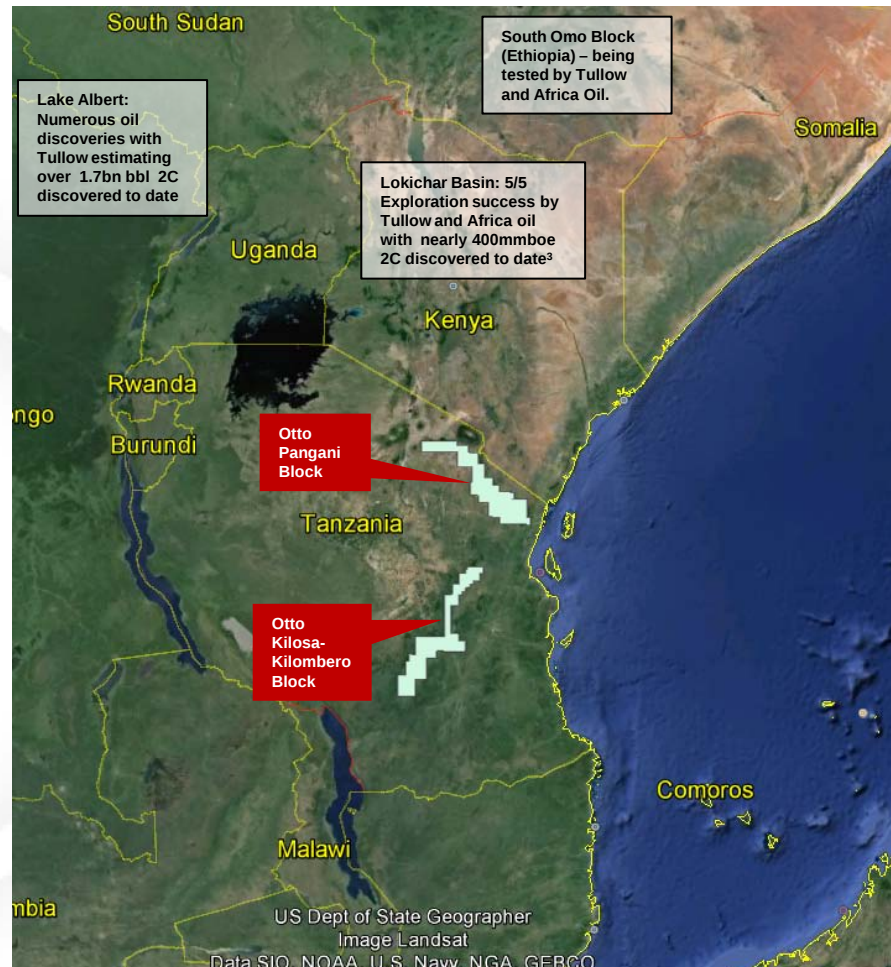
### East Africa Rift System (EARS)

- Exploration success in Uganda and in Kenya demonstrates EARS as oil prone with potential for very significant volumes
  - o **Uganda:** Between 2004-2008 Tullow discovered 11 new oil fields in Uganda. Between 2004-2013 Tullow drilled 79 wells, 66 found oil - estimated >1.7bn boe 2C in Lake Albert.<sup>1</sup>
  - o **Kenya:** 2012 Tullow and Africa Oil Ngamia-1 and Twiga South-1 wells discovered oil in South Lokichar Basin. Further 3 discoveries in 2013 - estimated nearly 400mmboe 2C.<sup>2</sup>
  - o **Ethiopia:** Increasing focus to the north in South Omo Block (Ethiopia) – potential rift extension. Sabisa-1 proved source, seal and reservoir (oil prone).

### Tanzania

- Onshore exploration will mature understanding of EARS extension in Tanzania
- Otto currently has a 50% working interest in the **Pangani** and **Kilosa-Kilombero** blocks
  - o Kilosa-Kilombero - cenozoic rifting may be linked with the greater (western) rift system of the EARS
  - o Pangani - possible arm of a triple point junction on the eastern branch of EARS

### Exploration success and Otto acreage



Source:

<sup>1</sup>Tullow Uganda Country Report (2013); <sup>2</sup> Africa Oil Corporate Presentation (November 2013)

<sup>3</sup> Tullow November 2013 Overview Presentation

# East Africa Rift System:

High WI in permits covering prospective basins

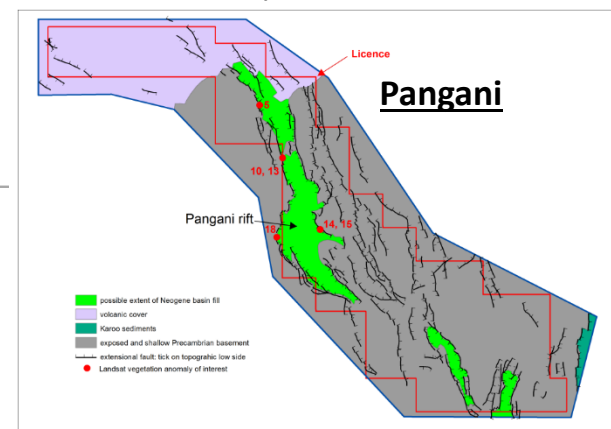
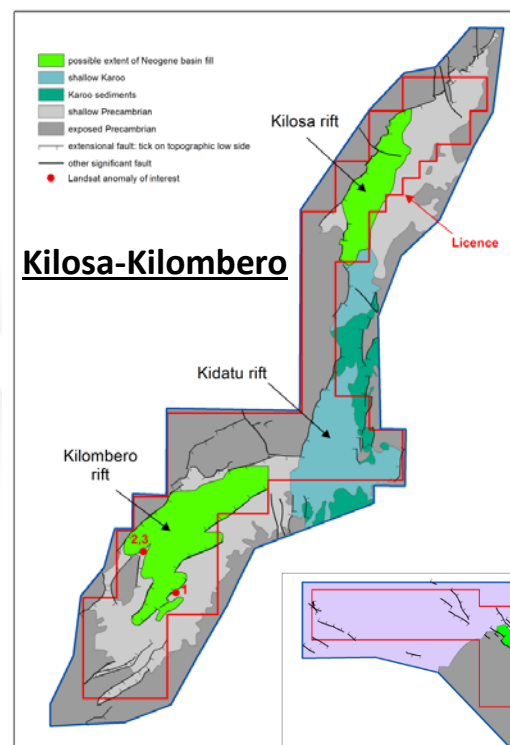


## Work completed to date has provided encouraging results

- 2012: Completed airborne gravity, magnetic surveying and sampling over Kilosa-Kilombero and Pangani – **five potential basin areas identified**
- 2013: Completed seismic over the three Kilosa-Kilombero basins and commenced seismic at Pangani – **Neogene Kilombero basin defined, Kito prospect identified, potential for further targets indicated.**
- 2014: Next steps include maturing Kito to drill stage, completing ongoing 2D seismic over Pangani, interpretation of seismic and new acreage capture

| Block            | Otto<br>(WI %) | JVP                                                  | Size (km <sup>2</sup> ) |
|------------------|----------------|------------------------------------------------------|-------------------------|
| Kilosa-Kilombero | 50%            | Swala Oil and Gas (Tanzania) Limited: (operator) 50% | 17,675                  |
| Pangani          | 50%            | As above                                             | 17,156                  |

Note: Blocks were awarded on 20 February 2012. Otto holds its interests through its subsidiary Otto Energy (Tanzania) Pty Ltd



# East Africa Rift System:

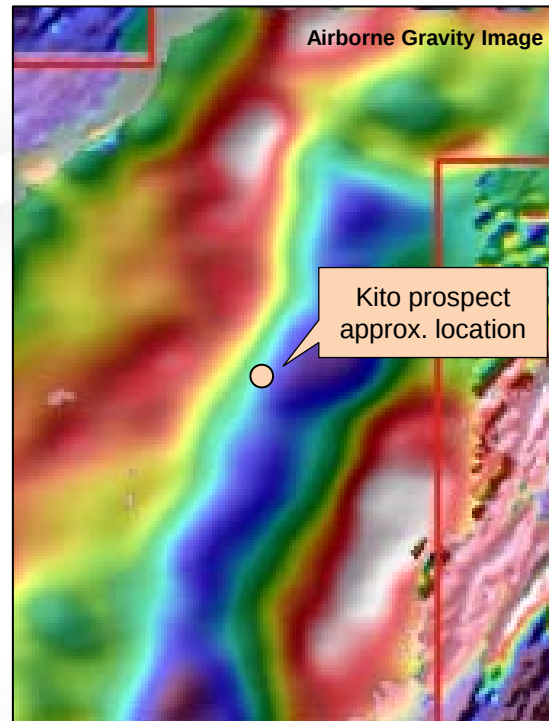
Seismic indicates Kilombero Basin may be similar in structure to the Lokichar Basin in Kenya



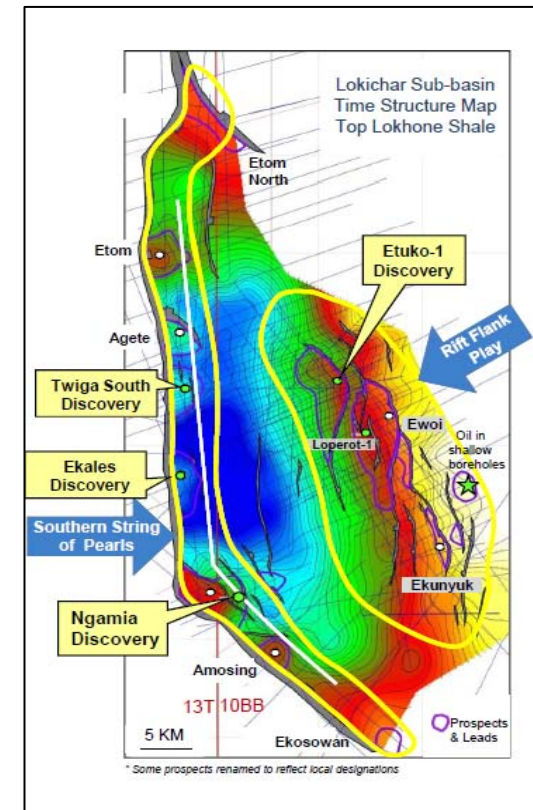
Kilombero Basin appears structurally similar to the Lokichar Basin in Kenya

- Kilombero interpreted as Neogene-age basin with a depth to basement in excess of 3,000m
- Comparison with Lokichar Basin identifies similar:
  1. Depositional geometries within the basins
  2. Potential trapping geometries, basin size and depth
  3. Interpreted sediment age

Tanzania: Kilombero Basin



Kenya: Lokichar Basin and exploration status



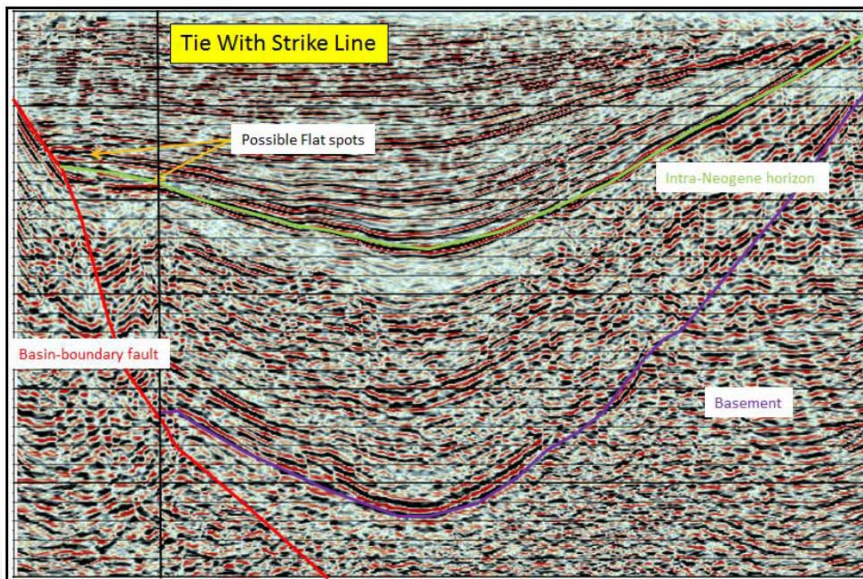
Source: Africa Oil

Basin Comparison at approximately the same scale

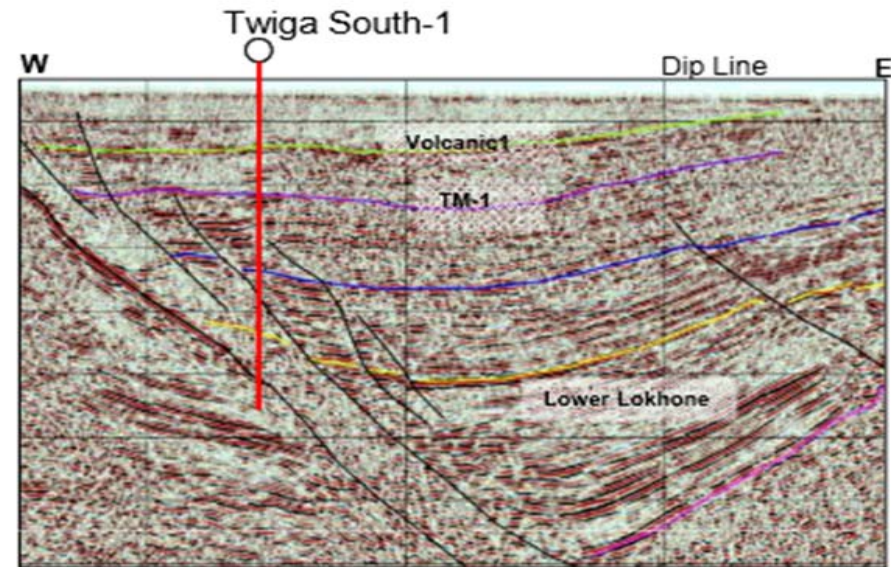
# East Africa Rift System:

Kilombero Basin exhibits structural and depositional geometries similar to those in the Lokichar Basin

## Tanzania: Kilombero Basin



## Kenya: Lokichar Basin



Source: Africa Oil

The proven play trend in the Lokichar Basin, Kenya, demonstrates large structural highs with multiple stacked pay zones adjacent to the basin bounding fault. Initial 2D seismic in the Kilombero Basin indicates that the Kito prospect is analogous to these style of discoveries.

This is demonstrated in the above seismic lines shown through the Kilombero Basin and Lokichar Basin

# Strong Capital Structure: Value underpinned by Reserves



## Capital Structure

|                                      |           |
|--------------------------------------|-----------|
| Fully paid ordinary shares           | 1.14b     |
| Unlisted options <sup>1</sup>        | 9.75m     |
| Performance Rights                   | 30.50m    |
| Market capitalisation <sup>2</sup>   | A\$95m    |
| Cash (Sep 2013)                      | US\$19.8m |
| Undrawn Debt (Sep 2013) <sup>3</sup> | US\$11.2m |

## Shareholders

|                 |       |
|-----------------|-------|
| Molton Holdings | 21.3% |
| Santo Holdings  | 21.3% |
| Acorn Capital   | 7.4%  |
| Directors       | 3.7%  |
| Shareholders    | 2,968 |

## Net Reserves

|                                 |       |
|---------------------------------|-------|
| Summary (Jan 2013) <sup>4</sup> | mmboe |
| Galoc 1P                        | 3.4   |
| Galoc 2P                        | 4.3   |



12 Month Turnover = 24.84% of issued capital

Average daily volume last 12 months = 1.115 million shares/day

1. Exercisable at prices between 12 and 12.5 cents per share.

2. Undiluted at 8.3 cents per share as at 4 December 2013

3. US\$36.484m Facility Agreement executed with BNP Paribas and available to be drawn

4. Reserves as at 1 January 2013. New reserve report following Phase II completion will be issued for 31 December 2013

# Experienced Board & Management Team



## Board of Directors



**Rick Crabb – Chairman.**  
**BJuris (Hons), LLB, MBA**

Former energy, resources and corporate lawyer with over 25 years Australian and international experience. Chairman of Paladin Energy.



**John Jetter – Non-Executive Director.**  
**LLB, BEc INSEAD**

Former MD/CEO J.P. Morgan Germany. Non-Executive Director of Venture Minerals.



**Ian Boserio – Non-Executive Director.**  
**BSc (Hons)**

Former executive positions with Shell & Woodside in exploration roles.



**Ian MacIver – Non-Executive Director.**  
**BComm,CA,FFin, MAICD**

Managing Director Grange Consulting. Non-Executive Director of Western Areas and Select Exploration.



**Rufino Bomasang – Non-Executive Director.**  
**BSc, MBE**

Former President/CEO and current Non-Executive Director of PNOC-EC. Former Undersecretary of Energy for Philippines DOE.

## Senior Management



**Gregor McNab – Chief Executive Officer.**  
**BSc (Hons)**

Oil & gas experience gained over 30 years, based in Europe, Asia, North America & Australia. Former senior executive roles during 22 year career with BHP Billiton Petroleum. Early career roles with Shell & Bechtel.



**Matthew Allen – Chief Financial Officer.**  
**BBus, FCA, FFin, GAICD**

Finance & accounting experience gained over 20 years, based in Australia & Middle East. Former senior roles with Woodside over 9 year period.



**Paul Senyica – Exploration Manager**  
**BSc (Hons), MAppSc**

Oil & gas experience gained over 30 years. Experienced geoscientist with specific focus on Australia, South East Asia & Africa. Former senior roles over 17 year career with Woodside & Shell.

# Investment Summary



## Credible Strategy

- Conventional hydrocarbon exploration and production
- Clear geographical focus – South East Asia and EARS
- Pursue early stage exploration in quality basins – deliver value through the life-cycle

## Philippines (Oil Production)

- Cashflow generation from Galoc oil field a key enabler
- Completion of Galoc Phase II – expect to deliver 11 cargos (~100k bbl net Otto per cargo) in 2014
- Reserves of 4.3mmboe 2P as at January 2013 (net Otto) – represents strong foundation for valuation

## Philippines (Exploration)

- High impact exploration in SC55 – 2 drill ready targets with Hawkeye and Cinco
- US\$27.5m funding from BHP Billiton (BHPB) for Otto to drill first exploration well in SC55<sup>1</sup>
- Seeking new farm-in partner to participate in drilling in SC55

## East Africa Rift System (Exploration)

- Kilosa-Kilombero and Pangani blocks in Tanzania have material exposure to EARS
- Kilombero Basin shares similar attributes to the Lokichar Basin in Kenya where nearly 400mmboe 2C resource has been discovered
- 2D seismic on the Kilombero Basin has identified the Kito prospect which will be matured for drilling

## Strong Capital Structure

- Stable cash flow from Galoc and financial discipline are key differentiators to competitors
- Cashflow can be reinvested into high impact exploration
- Project finance debt used for Galoc Phase II development – no corporate debt

## Experienced Management Team

- Experienced management team with proven exploration and operational expertise
- Key leadership group has two-to-four year record with Otto and delivered critical business outcomes
- Successful completion of Galoc Phase II and early entry into East Africa demonstrates ability to execute both complex operations and capture corporate transactions

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## Additional Information

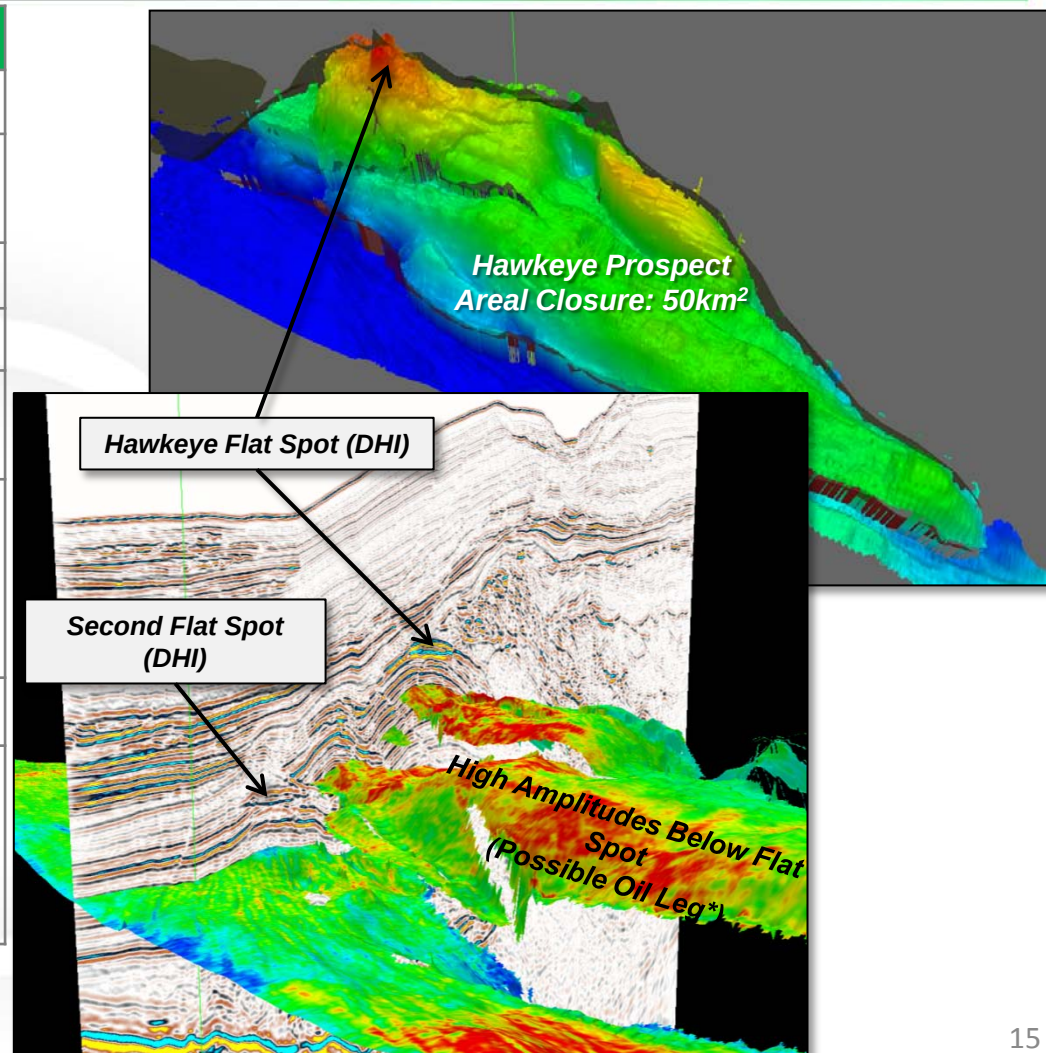
# Philippines Exploration:

## SC55 – Hawkeye Prospect

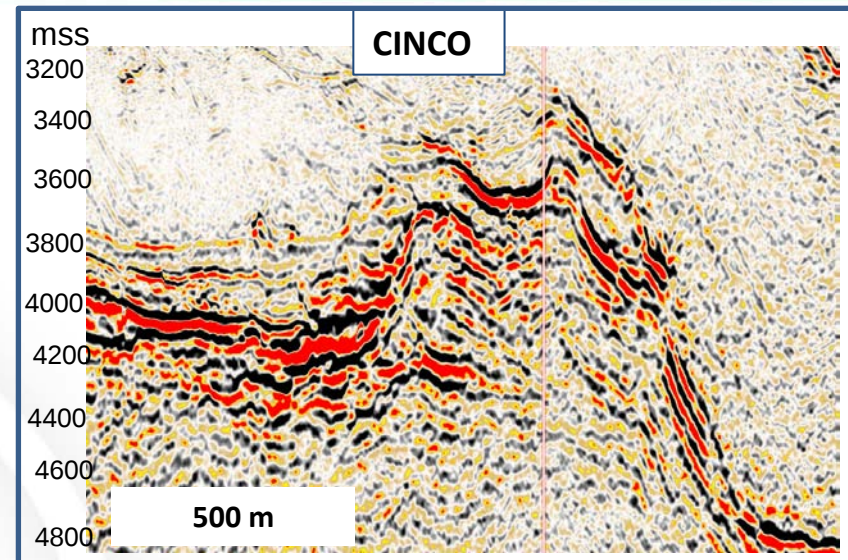
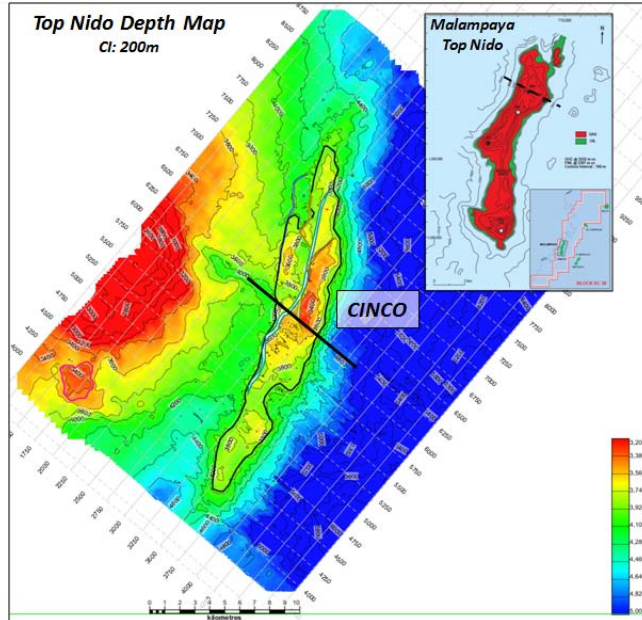


### Hawkeye Prospect

|                                     |                                                                                     |
|-------------------------------------|-------------------------------------------------------------------------------------|
| Location                            | Offshore, SW Palawan                                                                |
| Area of Closure                     | 50 km <sup>2</sup><br>Up to 500m column height                                      |
| Water Depth                         | 1,690 metres                                                                        |
| Objective Depth                     | 2,750 metres                                                                        |
| STOIIP, mmstb                       | 87 - 484 - 1,539<br>(Low – Best- High)                                              |
| Net Prospective Resource (*), MMbbl | 15 - 89 – 318<br>(Low – Best- High)<br>*Represent Otto 93.18% WI                    |
| GPOS                                | 27%                                                                                 |
| Development                         | FPSO & Tanker Offtake.<br>“Probable” Chance of development given Mid Case Discovery |



# Philippines Exploration: SC55 – Cinco Prospect

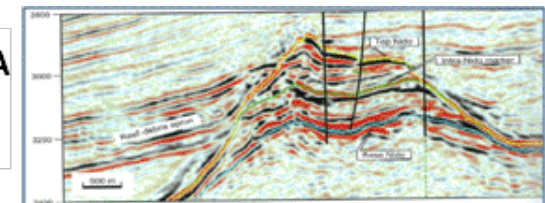


## Cinco Prospect

|                              |                                                                                                                                      |
|------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|
| Area of Closure              | 53 km <sup>2</sup><br>Up to 500m column height                                                                                       |
| Water Depth                  | 1,430 metres                                                                                                                         |
| Objective Depth              | 3,120 – 4,500 metres                                                                                                                 |
| GIIP                         | 0.9 – 2.4 – 6.3 Tscf ((Low – Best- High)                                                                                             |
| Net Prospective Resource (*) | 0.5 - 1.3 - 3.4 Tscf gas, plus (Low – Best- High)<br>16 - 45 - 132 MMbbls condensate (Low – Best- High)<br>*Represent OTTO 93.18% WI |
| GPOS                         | 20%                                                                                                                                  |

## MALAMPAYA

Same scale



**MALAMPAYA (Northern Palawan)**  
• Proven Reserves 2.5 TCFG and 81 MMBC

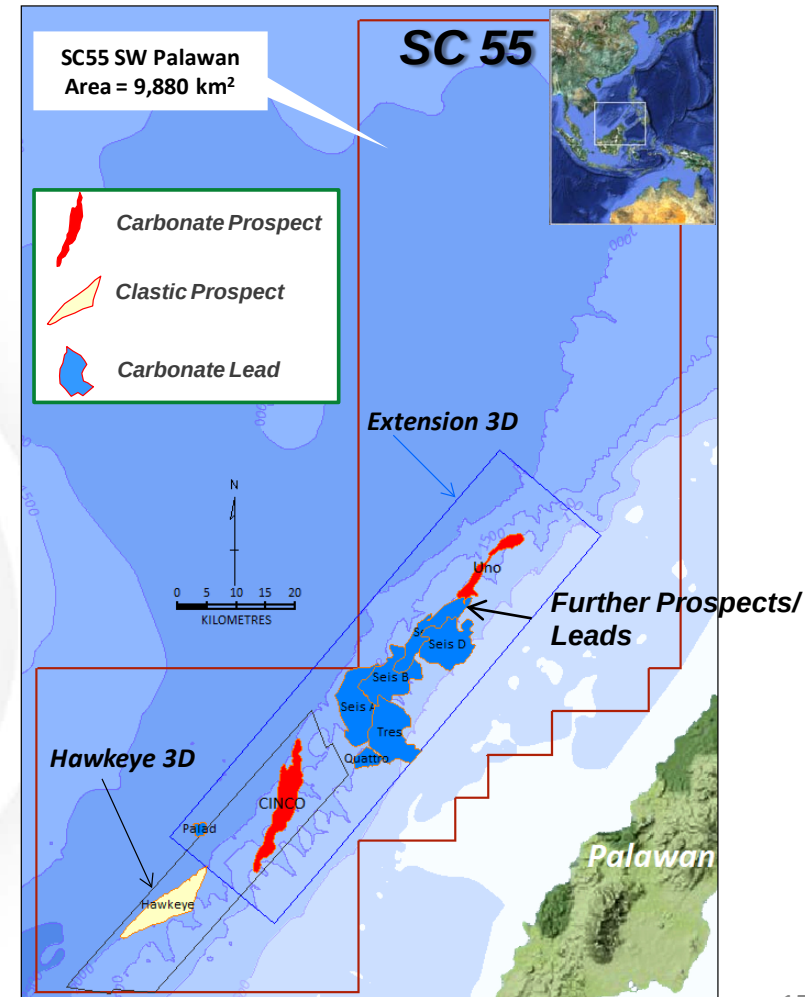
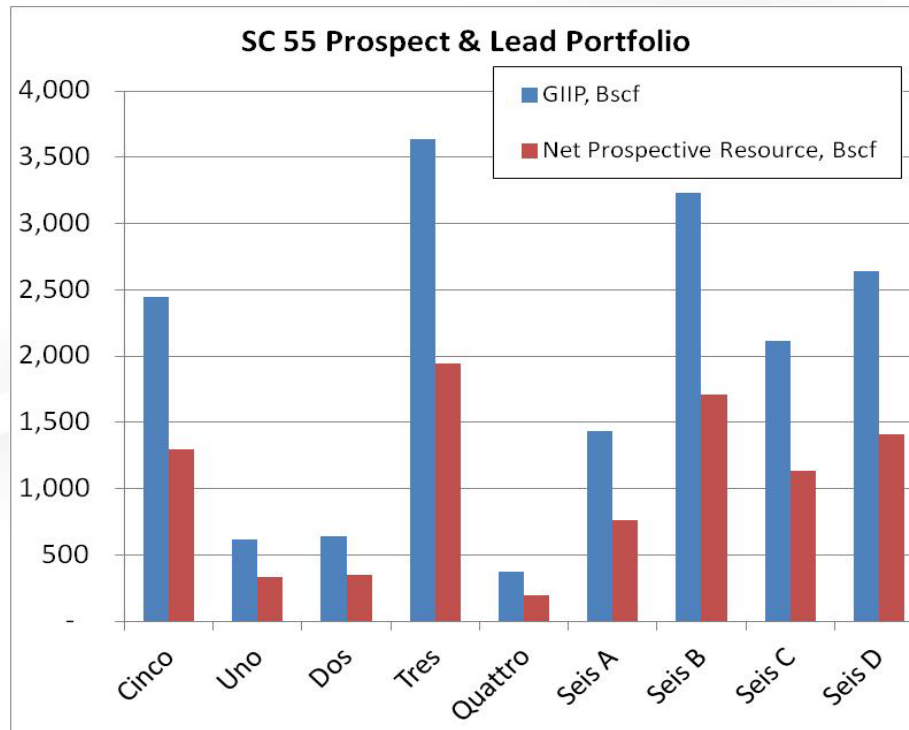
# Philippines Exploration:

## SC55 – Additional Leads Post Hawkeye/Cinco



An **impressive gas and condensate portfolio**, developed on an emerging major regional trend, parallel to the island of Palawan Arithmetically Aggregated '**Best Estimate**'

- GIIP 17 Tscf
- Net Prospective Resource Gas 9 Tscf
- Net Prospective Resources Condensate 320 MMbbls



# Philippines – Other Exploration Portfolio:

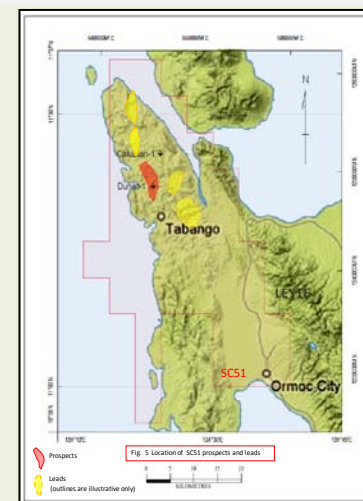
## Blocks SC51 and SC73



### SC51 (Onshore Philippines)

- Otto 80% working interest and operator. Block covers 1,600 km<sup>2</sup>
- Onshore Block on the island of Leyte
- In 2011 Otto attempted to drill the Duhat-1 well. Unable to drill to target depth but identified that an effective seal is in place. Oil and gas indications were observed during drilling
- In 2012 Otto completed 150 km of 2D seismic over the San Isidro anticline and confirmed a large target. Surface seeps and live oil recovered in seismic shot holes
- In 2013 Otto contracted the Desco Rig 30 land based rig to undertake the drilling of the Duhat-2 well. On 25 July 2013 the rig was drilling ahead at approximately 200 meters when the well started to flow high pressure water at high flow rates. Well was successfully contained and abandoned at 200 meters depth
- Otto is currently processing data obtained from the Duhat-2 well for incorporation into any forward work program on SC51

### Acreage map



### SC73 (Offshore Philippines)

- Otto 100% working interest and operator. Block covers 8,440 km<sup>2</sup>
- Awarded SC73 in September 2013 under the fourth Philippine contracting round
- Offshore block located in southern part of the Mindoro Basin – Cuyo Platform (continental rift)
- Existing 2D seismic conducted over SC73 covers circa 3,000 km<sup>2</sup>
- Oil has been discovered with an Extended Production Test conducted in 1994 at the Maniguin wells near the block. Oil seepages in the Mindoro Island region also confirms the presence of an active petroleum system in the area
- Otto has commenced reprocessing of existing seismic data with a minimum financial commitment of US\$0.5m over initial 18 month period

### Acreage map

