2 May 2014

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

By E-Lodgement

OTTO ENERGY WITHDRAWS FROM SERVICE CONTRACT 51

Highlights:

- **Duhat-2 post-drilling studies finalised**
- **Elects to withdraw from SC51 due to drilling safety concerns**

Otto Energy Limited (**Otto**) (ASX: OEL) announces that following extensive post-well analysis of the Duhat-2 well drilled in July 2013, its wholly owned subsidiary Otto Energy Investments Limited (**OEIL**) has elected to withdraw from Service Contract 51 ("**SC51**").

Duhat-2 was drilled in July 2013. The well was drilling ahead at approximately 200 metres when the well started to flow high pressure water at high flow rates. Upon analysis, the flow was comprised of brackish water with very low trace gas readings. Standard industry safety practice was followed to shut-in the well using heavy weight mud and, subsequently, a cement plug.

OEIL undertook a detailed analysis of the well results (including drill cutting analysis and seismic pressure reviews) to determine if the unexpected Duhat-2 results could be understood.

Based on these reviews, OEIL has concluded a well cannot be safely drilled at the Duhat-2 well location given the shallow overpressures experienced and the indications of low rock strength above the zone of overpressure. In addition, OEIL has formed the view that a well cannot with confidence be drilled in accordance with good industry practice elsewhere on the San Isidro anticline given the results observed at the Duhat-2 location. No other drillable prospects have been identified on existing seismic data available in the northern Service Contract area.

Otto's Chief Executive Officer, Matthew Allen, said "Safety and environment are Otto's top priorities and it has been concluded that it is not safe to proceed with drilling in the SC51 area. The Duhat-2 well presented a series of very unexpected and potentially dangerous challenges to our drilling team, which were successfully and safely addressed as a result of comprehensive pre-drill planning and preparation. These potentially dangerous challenges could be expected during future drilling activities in the block. In addition to safety concerns, OEIL has also further reviewed the prospectivity of the SC51 North block and elected to withdraw. OEIL sees no further defined exploration targets within this licence."

OTTO AT A GLANCE

- ASX-listed oil and gas company with a strategy to grow its 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

COMPANY OFFICERS

Rick Crabb	Chairman
Ian Macliver	Director
Rufino Bomasang	Director
John Jetter	Director
Ian Boserio	Director
Matthew Allen	CEO
Craig Hasson	CFO
Scott Blenkinsop	Company Secretary

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