

# Quarterly REPORT



THREE MONTHS ENDED 30 SEPTEMBER 2015

## QUARTERLY HIGHLIGHTS

### Corporate:

- Acquired 100% of the issued capital of Borealis Petroleum Pty Ltd to access substantial acreage position in onshore Alaskan North Slope.

### Exploration:

- Philippines SC55 – completed farm-out campaign for SC55;
- Philippines SC55 – completed drilling of Hawkeye-1 exploration well to a depth of 2,920m;
- Alaska – completed evaluation of Alaskan acreage and completed entry payments;
- Tanzania – Completed processing of recently acquired 2D seismic data.

## FINANCIAL SUMMARY

		Sep 2015 Quarter	June 2015 Quarter	Change %
Closing Cash Position	US\$m	9.85	41.21	(76.1)%
BHPB Receivable*	US\$m	21.27	-	100%
Expenditure	US\$m	34.04	3.12	991%

\*Payment from BHPB of US\$21.27m was received on 1 October 2015. The initial payment represents the bulk of the contribution by BHP Billiton of up to US\$24.5 million towards the cost of the Hawkeye-1 well. The final payment will be received in Q4 2015 once the total well cost is confirmed.

## THREE-MONTH OUTLOOK

- Undertake farm-out campaign for Tanzanian Pangani and Kilosa-Kilombero licences;
- Evaluate results of Hawkeye well drilling campaign and determine SC55 forward plan with Philippines Department of Energy;
- Evaluate Alaskan North Slope 3D seismic and work with Operator, Great Bear Petroleum, to develop forward exploration and appraisal campaign.

## EXPLORATION ASSETS

### SERVICE CONTRACT 55

**Location:** Offshore Palawan, Philippines  
**Area:** 9,880 km<sup>2</sup>  
**Otto's Interest:** 78.18% - Operator Otto Energy Group

During August Otto undertook the drilling of the Hawkeye-1 exploration well. The well reached total depth of 2,920m below the rig rotary table around the middle of the August.

The primary target Miocene reservoir was intersected at 2,712m. Hydrocarbons were logged between 2,712m and 2,740m in good quality reservoir and cutting returns provided indications of fluorescence consistent with liquid hydrocarbons. Below 2,740m, a fluid contact was observed, with indications of good quality reservoir but water bearing.

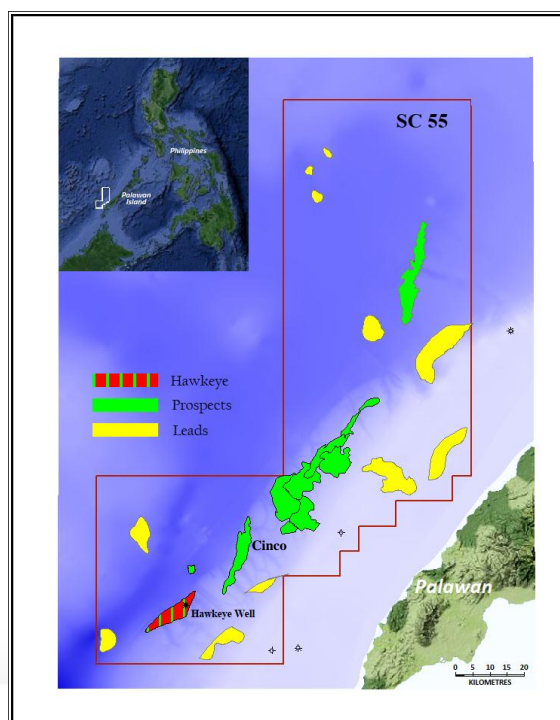
The Hawkeye well was then, as planned, plugged and abandoned.

The drilling program was executed smoothly, ahead of schedule and ahead of budget. Otto was fully carried on the cost of drilling the Hawkeye well.

The Hawkeye well has proven the existence of hydrocarbons in SC55. The hydrocarbon size discovered is at the very low end of expectations and is not economic to develop. Otto will now incorporate the results from the well into our understanding of the other prospects, including Cinco, in SC55 and determine if further activity is warranted.

The Cinco prospect was identified as part of the 2010 1,800 km<sup>2</sup> 3D seismic program undertaken by BHPBP that focused on a trend of carbonate prospects and leads. Cinco is analogous to the Malampaya producing gas/condensate field, which is located 400 km north east of the permit. Cinco contains

- 'Best Estimate' GIIP of 2.4 Tcf; and
- 'Best Estimate' Net Prospective Resource of 1.1 Tcf of gas and 38 MMbbl of associated condensate (Condensate Gas Ratio 35 bbls/MMcf), assuming 78.18% working interest for Otto and net of Government Share.



## EXPLORATION ASSETS (CONTINUED)

### KILOSA-KILOMBERO AND PANGANI

**Location:** Onshore, Tanzania  
**Area:** ~34,000 km<sup>2</sup>  
**Otto's Interest:** 50% - Operator Swala Oil and Gas (Tanzania) Plc

The Joint Venture entered Years 3 and 4 of the Pangani and Kilosa-Kilombero Production Sharing Agreements, involving a commitment to drill one exploration well in each contract area before February 2016 and the acquisition of additional seismic data. In August, the Tanzanian regulator approved an extension to the initial exploration term. Drilling of the first wells must now be undertaken prior to February 2017.

#### **Kilosa-Kilombero Permit**

A total of 110 km of 2D seismic was acquired over the Kilombero basin in 2013. Results suggest the presence of a Neogene-age basin with a maximum depth to basement in excess of 3,000m. The age of the sediments recorded (based on low seismic velocities) appears to be similar to that of sediments observed in the now proven oil basins of Lokichar (Kenya) and Lake Albert (Uganda), where Africa Oil (TSX.V:AOI) and Tullow Oil (LSE: TLE) have had significant success.

Dip lines across the basin suggest the presence of both structural traps and traps against the main basin-bounding fault, with possible Direct Hydrocarbon Indicators (DHIs or 'Flat Spots') observed at several levels at the crest.

A 2014 program to acquire 430 km of additional 2D seismic data across the Kilombero basin was undertaken during Q4 2014. The focus of the program was to:

1. Provide additional lines across the "Kito" prospect that may become a drillable target.
2. Cover other portions of the basin which according to the initial 2013 seismic data and earlier remote sensing data have the potential to contain additional leads and prospects.

The new 2D data has been processed and detailed technical evaluation of same was completed during Q3 2015. Kito well planning is now underway.

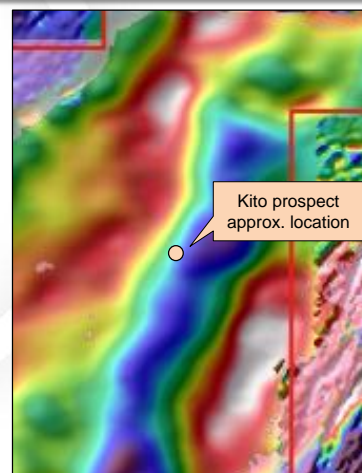
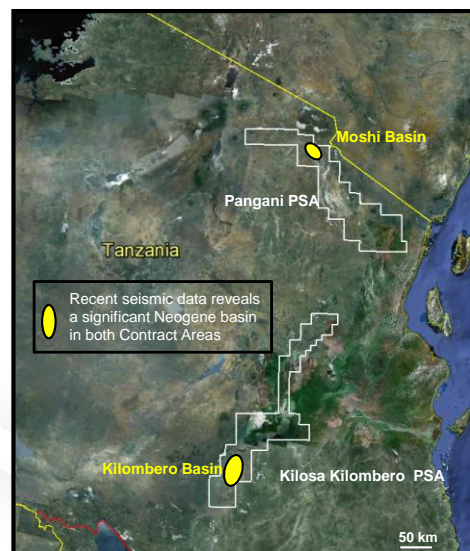
#### **Pangani Permit**

A total of 200 km of 2D seismic has been acquired over the Mvungwe and Moshi basins.

The results from the survey show that the Moshi basin in the north of the permit appears to be a basin with sedimentary fill of probable Neogene age. Further evidence from the seismic survey suggests that the basin is fault-bounded, some 25 km wide, and with basin fill to between 2,000 and 3,000m depth.

During Q3 2014, a further 200 km of 2D seismic data was acquired across the Moshi basin area. The focus of this survey is to better understand the geometry of the basin and firm up structures for drilling.

Processing of the new data has been completed and a thorough technical analysis was completed during Q3 2015.



## EXPLORATION ASSETS (CONTINUED)

### ALASKA

**Location:** Onshore North Slope Alaska  
**Area:** 2,259 km<sup>2</sup>  
**Otto's Interest:** 8%-10.8% – Operator Great Bear Petroleum Operating

In August 2015, Otto acquired the right to earn an interest, through staged capital injections, in a substantial acreage position on the highly prospective, oil prone, onshore Alaskan North Slope held by Great Bear Petroleum Operating ("Great Bear").

Through its agreements with Great Bear, Otto acquired an 8% and 10.8% working interest (equivalent to 58,334 net acres) in two areas of Alaskan North Slope exploration acreage held by Great Bear.

Great Bear is a private exploration company focused exclusively on exploring and developing conventional and unconventional resources on the North Slope of Alaska.

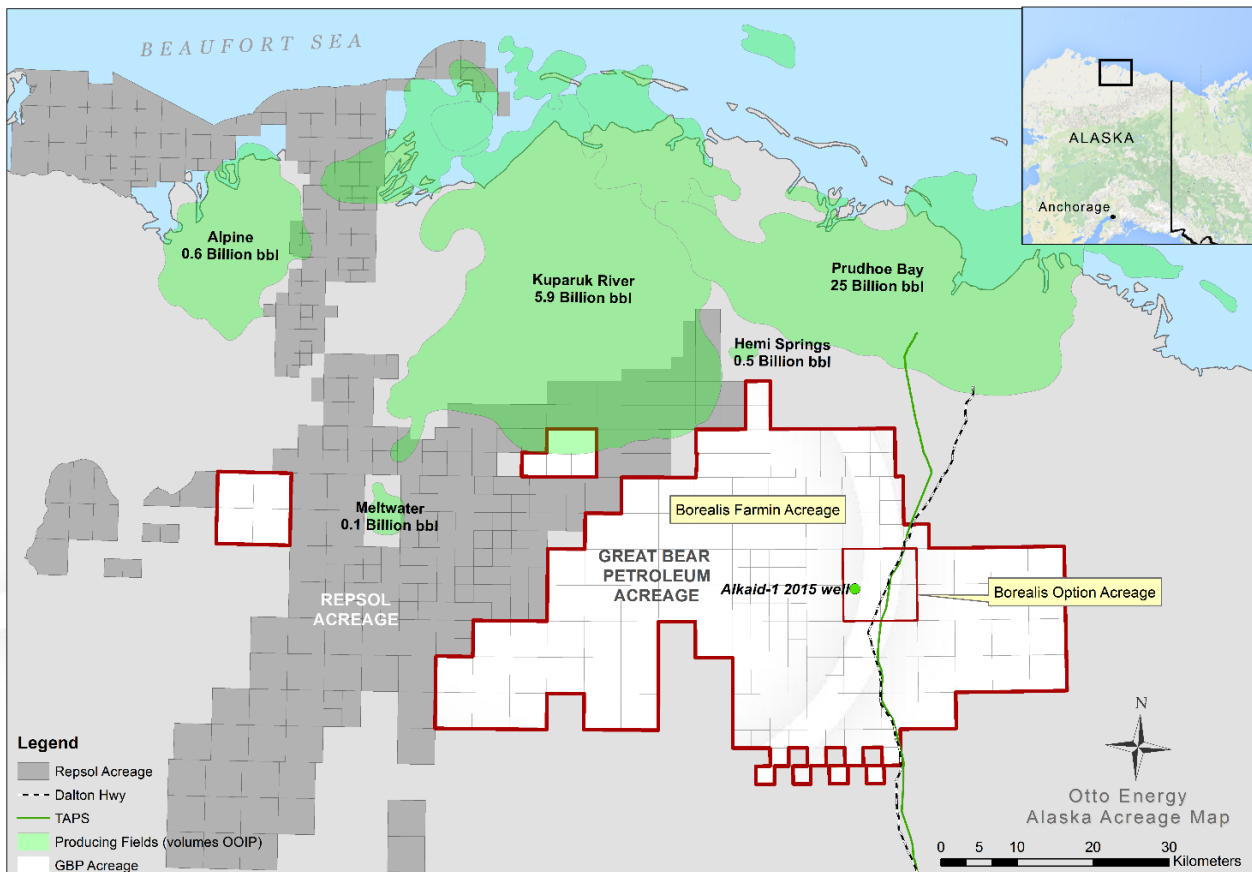
Great Bear is the dominant exploration acreage holder in this highly prospective basin; holding 579,374 gross acres in a major play fairway south of the Prudhoe Bay and Kuparuk fields. Great Bear has undertaken significant exploration work on the acreage since 2011 with a cumulative spend in excess of US\$200 million, supported by generous tax rebates from the State of Alaska.

This work includes:

- Acquisition and processing of approximately 1,800 km<sup>2</sup> of 3D seismic data.
- Drilling of two unconventional stratigraphic test wells which cored three primary unconventional targets. Results from these wells indicate that the majority of the Great Bear acreage is expected to be liquids rich. These wells also encountered light oil in various conventional formations.
- Drilling of a conventional exploration well (Alkaid-1) which specifically targeted a 3D defined Brookian reservoir. The Alkaid well results are under evaluation.

The extensive, modern 3D seismic coverage, existing well control and proximity to the all-weather Dalton Highway and Trans-Alaskan Pipeline System (TAPS) means that the Great Bear joint venture is well positioned to test numerous prospects during the 2015/16 and 2016/17 northern winter drilling seasons.

On 30 September, Otto elected to make a further staged payment to Great Bear securing tenure to the acreage and concluding the farmin obligations.



**CORPORATE****ACQUISITION OF BOREALIS PETROLEUM PTY LTD**

On 21 July 2015, the Company acquired 100% of the issued capital of Borealis Petroleum Pty Ltd, to earn an interest, through staged capital injections, in a substantial acreage position in onshore Alaskan North Slope, held by Great Bear Petroleum. Borealis Petroleum Pty Ltd was acquired through the issue of 17,518,250 shares in the Company.

**CASH OUTFLOWS**

Otto's free cash reserve at the end of the quarter was US\$9.85 million\* (June: US\$41.21 million).

Historic and expected cash outflows in the coming quarter are shown below:

	<b>Dec 15 Qtr US\$m Forecast</b>	<b>Sep 15 Qtr US\$m Actual</b>	<b>Jun 15 Qtr US\$m Actual</b>	<b>Mar 15 Qtr US\$m Actual</b>
Philippines				
SC 14C				
Production	-	-	-	2.08
SC 55	-	18.50**	1.36	0.86
SC 73	0.05	0.01	0.00	0.05
Alaska	-	13.79	-	-
Tanzania	0.21	0.41	0.53	0.35
Administration	1.16	1.33	1.23	1.78
<b>Total</b>	<b>1.42</b>	<b>34.04</b>	<b>3.12</b>	<b>5.12</b>

\* BHPB payment of US\$21.3 million for funding Hawkeye-1 Exploration well was received on 1 October 2015. The initial payment represents the bulk of the contribution by BHP Billiton of up to US\$24.5 million towards the cost of the Hawkeye-1 well. The final payment will be received in Q4 2015 once the total well cost is confirmed.

\*\* Pryce Gases Inc farm-in option fee of US\$2.5m has not been netted against SC55 expenditure for the Quarter as the US\$2.5m has been recognised as other income. The net expenditure to Otto after Pryce Gases Inc funds is US\$16m for the Quarter.

**CORPORATE (CONTINUED)****SHAREHOLDERS**

Otto's issued capital as at 30 September 2015:

	<b>Number</b>
Fully paid ordinary shares	1,181,808,321
Unlisted Options <sup>1</sup>	8,000,000
Performance Rights	14,775,000

<sup>1</sup> Exercisable at 5.49 per share with expiration date of December 2016.

Otto's Top 20 Holders as at 26 October 2015:

**TOP 20 SHAREHOLDERS AS AT 26 OCTOBER 2015**

<b>Rank</b>	<b>Name</b>	<b>Units</b>	<b>% of Units</b>
1	SANTO HOLDING AG	241,910,757	20.47%
2	MOLTON HOLDINGS LIMITED	241,910,757	20.47%
3	CITICORP NOMINEES PTY LIMITED	50,860,097	4.30%
4	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	42,652,224	3.61%
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	34,206,552	2.89%
6	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	26,903,241	2.28%
7	RICK CRABB (CONSOLIDATED RELEVANT INTEREST)	17,795,052	1.51%
8	JOHN JETTER (CONSOLIDATED RELEVANT INTEREST)	16,089,175	1.36%
9	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD <CLIENT ACCOUNT>	14,020,833	1.19%
10	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	11,355,498	0.96%
11	SPHINX HOLDINGS LTD	10,239,085	0.87%
12	ESCOT FINANCE LTD	8,150,000	0.69%
13	NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	7,878,274	0.67%
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	7,431,084	0.63%
15	MR WILLIAM GEORGE WILLIAMS	7,300,000	0.62%
16	FORSYTH BARR CUSTODIANS LTD <FORSYTH BARR LTD-NOMINEE A/C>	7,265,321	0.61%
17	NATIONAL NOMINEES LIMITED	4,823,634	0.41%
18	IAN MACLIVER (CONSOLIDATED RELEVANT INTEREST)	4,549,721	0.38%
19	MR TIMOTHY FRANCIS CLIVE MCDONNELL & MRS MILA MCDONNELL <MCDONNELL SUPER FUND A/C>	4,514,100	0.38%
20	WENDY MARY CHAN	4,267,541	0.36%
<b>TOTAL TOP 20 SHAREHOLDERS</b>		<b>764,122,946</b>	<b>64.66%</b>
TOTAL REMAINING SHAREHOLDERS		417,685,375	35.34%
<b>TOTAL SHARES ON ISSUE</b>		<b>1,181,808,321</b>	<b>100.0%</b>

## OTTO AT A GLANCE

- ASX-listed oil and gas company with a strategy to grow an integrated petroleum business through high impact exploration
- Focused on conventional oil plays in proven petroleum provinces
- Formerly Operator of the producing Galoc oil field in the Philippines

### DIRECTORS

**Chairman:**

Rick Crabb

**Non-Executive Directors:**

Ian Boserio

Ian Macliver

John Jetter

Rufino Bomasang

### OFFICERS

**Managing Director & Chief Executive Officer:**

Matthew Allen

**Chief Financial Officer:**

Craig Hasson

**Company Secretary:**

Neil Hackett

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### Definitions

- (1) "\$m" means USD millions of dollars
- (2) "bbl" means barrel
- (3) "bbls" means barrels

### Persons compiling information about hydrocarbons

The reserve and contingent resource information in this report is based on information compiled by Mr Paul Senyacia BSc (Hons) (Mining Engineering), MAppSc (Exploration Geophysics), who has consented to the inclusion of such information in this report in the form and context in which it appears. Mr Senyacia is a full time employee of the Company, with more than 30 years relevant experience in the petroleum industry and is a member of The Society of Petroleum Engineers (SPE).

Reserves and Contingent resources have been estimated using both probabilistic and deterministic methods. Otto is not aware of any new information or data that materially affects the assumptions and technical parameters underpinning the estimates of reserves and contingent resources and the relevant market announcements referenced continue to apply and have not materially changed.

The estimated quantities of petroleum that may potentially be recovered by the application of future development projects relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.