10 December 2015

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

By E-Lodgement

NEW ACQUISITION SETS OTTO FOR ACTIVE HIGH IMPACT MULTI-WELL DRILLING IN 2016

HIGHLIGHTS:

- **Otto secures staged farm-in for interests in a multi-asset portfolio onshore Louisiana and offshore Gulf of Mexico, United States, a prolific conventional oil and gas region**
- **Entry into 2 shallow water offshore leases and 1 onshore lease with potential for 3 high-impact, low cost/high chance of success wells in 2016**
- **Drilling to commence in Q1 2016 with rig under contract for first well. 2 contingent wells, first in Q1 2016, second in 2H 2016**
- **Joint Venture partner Byron Energy (Operator) is a proven Gulf of Mexico operator with a track record of success in the Gulf of Mexico region**
- **Acquisition sets path for Otto to return to production during 2017 in assets which are robust even when viewed against the current backdrop of low oil prices**
- **Otto's pipeline of activity increased with 6+ wells to be drilled across the Otto portfolio in the coming 18 months; all of which can be funded from Otto's strong cash position (circa US$34 million)**

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

COMPANY OFFICERS

John Jetter	Chairman
Matthew Allen	MD & CEO
Ian Macliver	Director
Ian Boserio	Director
Craig Hasson	CFO
Neil Hackett	Company Secretary

www.ottoenergy.com

Otto Energy Ltd (ASX: OEL) ("Otto" or the "Company") is pleased to announce that it has entered into an agreement with Byron Energy Limited (ASX:BYE) ("Byron") for the staged farm-in for participating interests in to up to 3 lease areas held by Byron in the Louisiana Gulf of Mexico area (see **Transaction Terms** below).

The transaction with Byron will provide Otto with exposure to a portfolio of low cost, high chance of success, conventional oil and gas opportunities located both onshore and offshore US in a prolific oil and gas province surrounded by existing infrastructure.

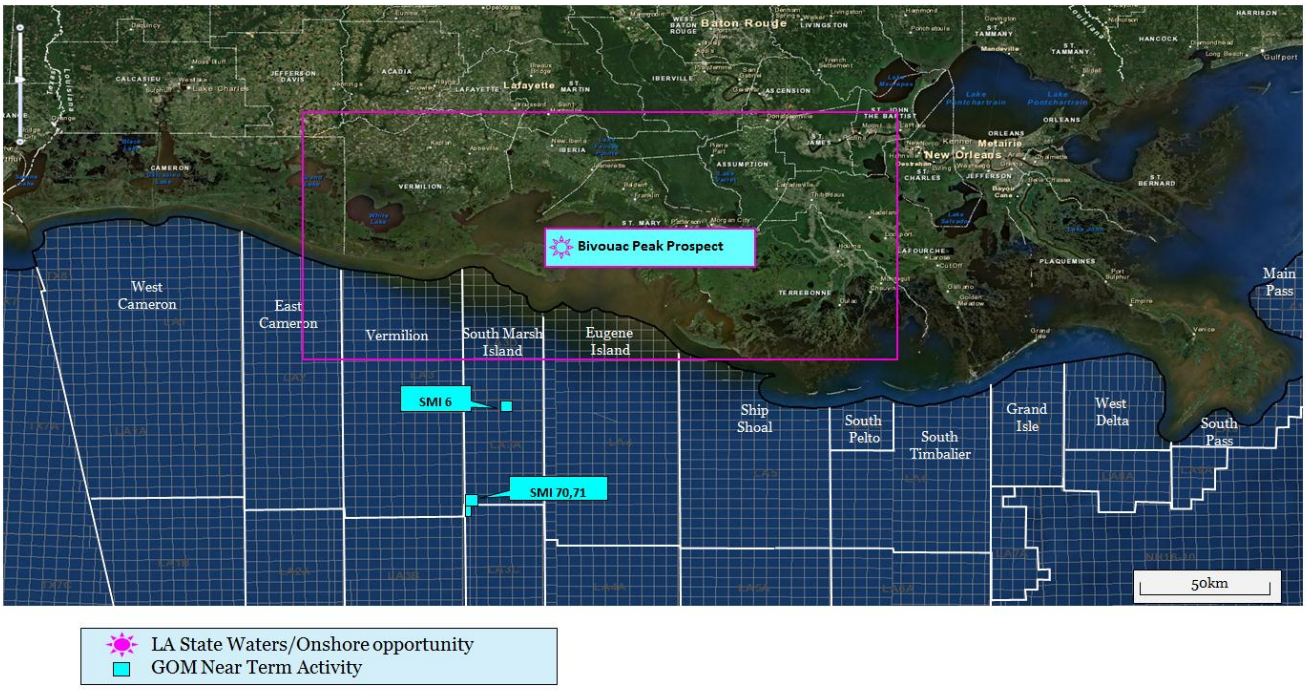
Otto's Managing Director, Matthew Allen said: "*We are very pleased to have entered into this transaction with Byron Energy. The assets represent a low cost, high chance of success entry point into the offshore Gulf of Mexico as well as onshore Louisiana. Otto has taken the opportunity to grow its portfolio in the US post its entry into the Alaskan North Slope earlier in 2015, as it views the shallow water Gulf of Mexico as providing exposure to assets which remain robust even when viewed against the current backdrop of low oil prices. The extensive seismic dataset which exists over these blocks provides a strong base for the upcoming drilling program which the Company expects to commence in Q1 2016.*

The first well offshore Gulf Coast Louisiana will commence in Q1 2016 with Otto having the opportunity to participate in 2 further wells during the course of 2016. If successful, these wells will be completed for production, with first oil expected in 2017. With drilling in Tanzania later in 2016 and Alaska in the 2016/17 drilling season, the coming 18 months will see an unprecedented level of activity for Otto, all of which can be funded from existing cash reserves of circa US$34 million."

Overview of New US Assets

The leases the subject of the transaction are located in the shallow waters of the Outer Continental Shelf (OCS) of the Gulf of Mexico (2 leases – SMI-6 and SMI-70/71) and onshore (1 lease – Bivouac Peak), Louisiana. The leases are characterised as follows:

- Shallow water depths of around 10m to 60m, allowing for low cost drilling operations
- Existing discoveries and historical production
- Drilling targets up-dip from, and in the same highly productive reservoirs, as known production



Location Map of Assets

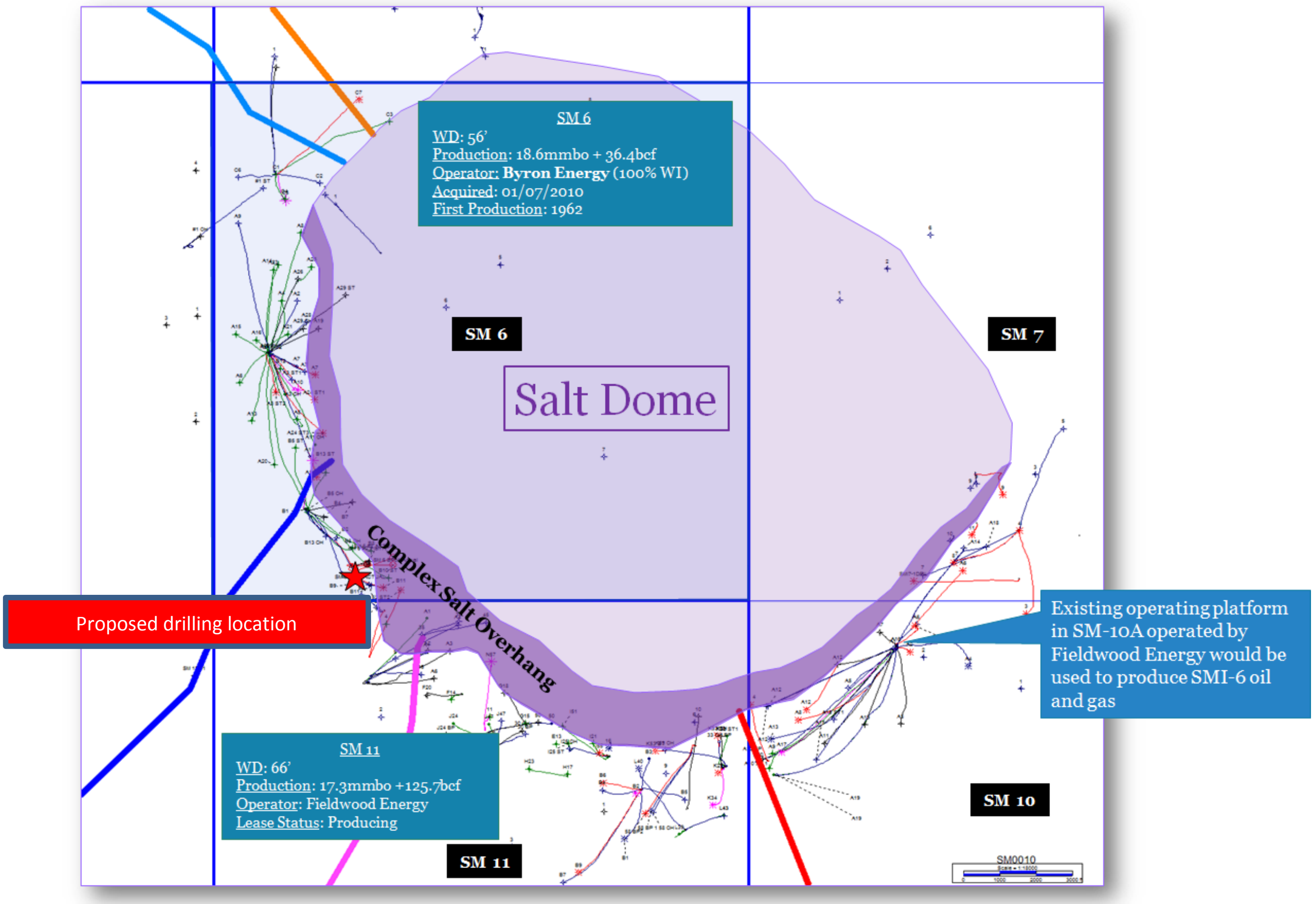
The OCS region of the Gulf of Mexico has a history of high exploration drilling success rates and is a prolific oil and gas production area with yearly production in the hundreds of millions of barrels. The extensive infrastructure in the area allows for low cost, efficient operations and therefore in the success case, short development timeframes and pay-back periods.

The shallow water offshore lease areas the subject of the transaction have benefitted from the application of cutting edge reverse time migration seismic reprocessing to allow more accurate seismic imaging of reservoir potential in and around salt domes. The application of these techniques has been pivotal in unlocking sub-salt exploration potential of basins in Brazil and the deep-water Gulf of Mexico. Drilling, which will commence with the first well in early 2016, will focus on what are now clearly delineated untapped reservoir intervals located up-dip from historical production.

South Marsh Island 6 (SMI-6) – drilling Q1 2016

Lying in a water depth of 65 feet, the SMI-6 lease has had a total production of 18. MMbbl and 36 Bcf of gas. Drilling by Byron in 2015 saw the SMI-6 #1 BP02 well completed for production in the sand interval around 100m above the primary target interval – this drilling intersected 100 feet of net pay sands. Drilling of the SMI-6 #2 well will earn Otto the rights to the following net revenue interests:

- Oil Mbbl (1P-2P-3P)- (567 - 1,495 - 2,167) and a prospective oil resource of 3,603 Mbbl; and
- Gas Mscf (1P-2P-3P)- (5,619 - 8,639 - 6, 667) and a prospective resource of Gas 59,198 Mscf.



Overview of SMI-6 and existing infrastructure. Short production tie-back to SM 10 A

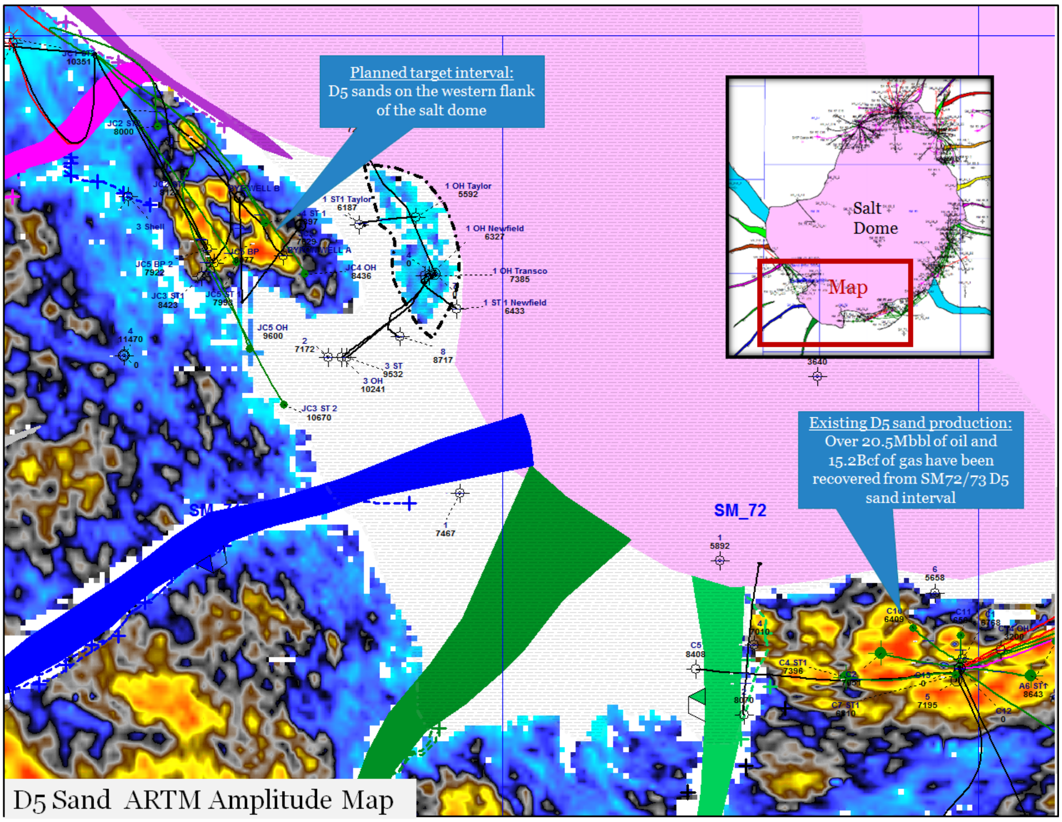
Drilling is planned for Q1 2016 with Otto participating in order to earn a 50% participating interest (equal to a 40.625% revenue interest) in the block. A rig has been contracted by Byron for this drilling. The success case outcome will see Otto book reserves during the course of 2016, with planned production development by way of low-cost tie-in to nearby infrastructure (see SM 10 A on above map) planned to be completed in or around the middle of 2017. The estimated well cost for the drilling in SMI-6 is US$8 million. Otto will pay 66.67% of these costs (US$5.3 million). Any costs above this amount in respect of the SMI-6 well and all future expenditure on the license will be in accordance with Otto and Byron's participating interest (Otto 50%).

South Marsh Island 70/71 (SMI-71) – planned drilling Q1 2016

Post the drilling in SMI-6, Otto has the option to earn a 50% participating interest in SMI-70/71 through the drilling of one well. SMI-70/71 lies to the south of SMI-6 in a water depth of 131 feet and combined production from the blocks totals 5.9mmbo and 16Bcf of gas

Drilling of the well will earn Otto the rights to the following net revenue interests:

Oil Mbbl (1P-2P-3P)- (249 – 343 - 520) and a prospective resource of Oil 2,277 Mbbl
Gas Mscf (1P-2P-3P)- (135 - 186 - 323) and a prospective resource of Gas 1,680 Mscf



SMI-71 – Amplitude Map and associated recovered volumes

Drilling is also expected in Q1 2016 with an expected total well cost of US$4.5 million. Otto will pay 66.67% of these costs (US$3 million). Any costs above this amount in respect of the SMI-6 well and all future expenditure on the license will be in accordance with Otto and Byron's participating interest (Otto 50%). As with SMI-6, successful wells will allow for reserves bookings and can be readily tied into existing surrounding infrastructure for production in 2017.

Bivouac Peak Leases

Bivouac Peak is an onshore lease area of approximately 2,400 contiguous acres along the southern Louisiana Gulf Coast and which sits inboard of SMI-6 and SMI-71. Through its agreement with Byron Energy, Otto has the option to earn a 45% participating interest (equal to a 33.525% net revenue interest) in the area which holds multiple exploration targets within a regionally proven trend of Miocene production. Byron Energy, as operator of Bivouac Peak holds a best estimate prospective resource of 6. MMbbl and 69.2 Bcf (8.9 MMBoe net to Otto).

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The acquisition of Bivouac Peak was recently finalised by Byron Energy and drilling is planned for 2H 2016. Drilling costs for the first well are estimated at US$10.0 million. Otto will pay 60% of these costs (US$6.0 million). Any costs above this amount in respect of the Bivouac Peak well and all future expenditure on the license will be in accordance with Otto and Byron's participating interest (Otto 45%). Wells at Bivouac Peak can be completed and brought on for production in around 6 months at low cost.

First Right of Refusal – One further asset

In addition, Otto has the option to participate in one new asset acquired by Byron Energy before March 2017 on terms consistent with the other farm-ins set out above. This provides Otto with the opportunity to grow its business in the Gulf Mexico Outer Continental Shelf beyond the three initial assets.

Transaction Terms

The transaction with Byron Energy is in the form of a staged, optional farm-in to up to 3 assets with election points for Otto at the conclusion of drilling events. Otto will participate in the drilling of one well at SMI-6 commencing in 1Q 2016 – participation in SMI-71 is at Otto's election and will be based on the technical and operational outcomes of the SMI-6 well. The election to proceed with entry into Bivouac Peak will be post the drilling of SMI-71. Otto's view is that such a structure provides the Company with significant optionality and ongoing participation will be on the back of successful outcomes.

As consideration for the transaction, Otto will reimburse Byron Energy for past costs commensurate with the interest being acquired along with a promoted share of costs for one well in each license. A summary of the relevant commercial terms is set out below:

Licence	Drilling	Gross Well Cost	Otto Well Contribution (1) (2)	Working Interest	Net Revenue Interest
South Marsh Island – 6 (SMI-6) (shallow water GoM)	Q1 2016	US$8.0m	US$5.3m	50%	40.625%
Otto then has an option to earn equity in SMI-70/71 leases or withdraw from further activity …					
South Marsh Island – 70/71 (SMI-70/71) (shallow water GoM)	Q1 2016	US$4.5m	US$3.0m	50%	40.625%
Otto then has an option to earn equity in Bivouac Peak leases or withdraw from further activity …					
Bivouac Peak Leases (onshore/marshland Louisiana)	2H 2016	US$10.0m	US$6.0m	45%	33.525%
Otto also has an option to earn equity in a new lease or withdraw from further activity …					
Right of First Refusal	First right to secure one new lease before March 2017				

1. Otto will contribute to back costs in the success case of US$2.1M for SMI-6; US$0.9M for SMI-71 and 45% of past costs for Bivouac Peak (est. US$0.5M to 1.0M), if option is made to proceed
2. Paying interest on first well in each licence is 66.67% for SMI-6 and SMI-70/71 and 60% for Bivouac Peak up to agreed budgeted well cost as specified in table above, thereafter reverting to working interest

~Ends~

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Competent Persons Statement

The information in this report that relates to oil and gas reserves and resources was compiled by technical employees of independent consultants Collarini and Associates, under the supervision of Mr Mitch Reece BSc PE. Mr Reece is the President of Collarini and Associates and is a registered professional engineer in the State of Texas and a member of the Society of Petroleum Evaluation Engineers (SPEE), Society of Petroleum Engineers (SPE), and American Petroleum Institute (API). The reserves and resources included in this report have been prepared using definitions and guidelines consistent with the 2007 Society of Petroleum Engineers (SPE)/World Petroleum Council (WPC)/American Association of Petroleum Geologists (AAPG)/Society of Petroleum Evaluation Engineers (SPEE) Petroleum Resources Management System (PRMS). The reserves and resources information reported in this Statement are based on, and fairly represents, information and supporting documentation prepared by, or under the supervision of, Mr Reece. Mr Reece is qualified in accordance with the requirements of ASX Listing Rule 5.41 and consents to the inclusion of the information in this report of the matters based on this information in the form and context in which it appears.

Reserves & Resources

Reserve and resource estimates in this release are prepared as at 30 June 2015 (reference: Byron Energy Limited ASX announcement 4 September 2015). The resource estimates have been prepared using internationally recognised Petroleum Resources Management System to define resource classification and volumes. The resource estimates are in accordance with the standard definitions set out by the Society of Petroleum Engineers, further information is available at www.spe.org. The estimates are un-risked and have not been adjusted for both associated chance of discovery and a chance of development. Otto is not aware of any new information or data that materially affects the assumptions and technical parameters underpinning the estimates of reserves and resources and the relevant market announcements referenced continue to apply and have not materially changed.

Prospective Resource Cautionary Statement

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

Reserves cautionary statement

Oil and gas reserves and resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates that were valid when originally calculated may alter significantly when new information or techniques become available. Additionally, by their very nature, reserve and resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional drilling and analysis, the estimates are likely to change. This may result in alterations to development and production plans which may, in turn, adversely impact the Company's operations. Reserves estimates and estimates of future net revenues are, by nature, forward looking statements and subject to the same risks as other forward looking estimates.