

ASX ANNOUNCEMENT
30 March 2016

OTTO COMMITS TO SM-71 #1 WELL – GULF OF MEXICO

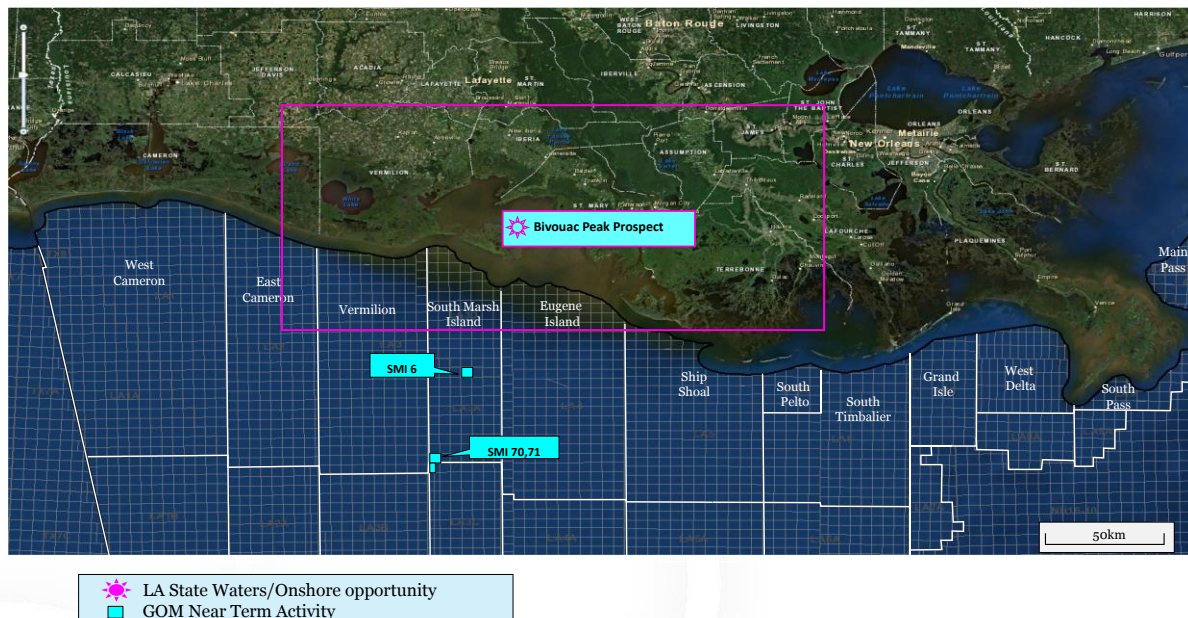
- Otto exercises option to participate in drilling the SM-71 #1 well with Byron Energy
- Targeting a net Prospective Resource of 2,277 Mbbl of oil and 1,680 Mscf of gas and a net 2P Reserve of 343 Mbbl of oil and 185 Mscf of gas
- Drilling to commence within the coming week utilising the Hercules 205 drilling rig

Otto Energy Ltd (ASX: OEL) (“Otto” or the “Company”) is pleased to announce that it has exercised its option to participate in the drilling of the SM-71 #1 well in the South Marsh Island 71 licence with Byron Energy Inc., a subsidiary of Byron Energy Limited (ASX:BYE) (“Byron”).

The SM-71 #1 well is a salt dome play where over 116 million barrels of oil and 375 billion cubic feet of gas have already been produced. The Hercules 205 drilling rig which undertook the drilling of the SM-6 #2 well will be mobilised to the SM-71 #1 well location in the coming days with drilling operation expected to take approximately 20 days once on location.

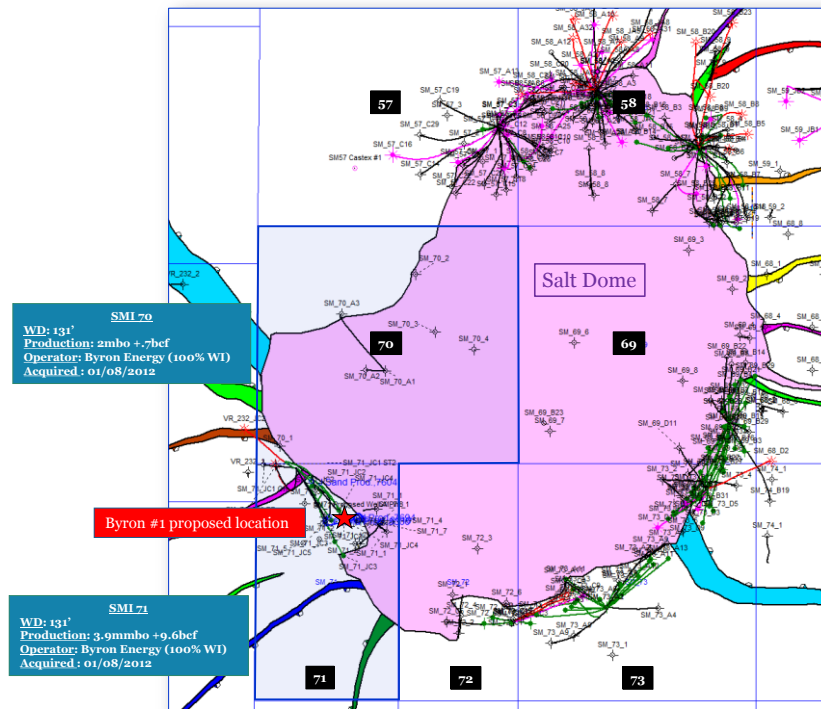
The SMI-70/71 licences are approximately 50 kilometres south of the SMI-6 licence. Whilst the SM-6 #2 and the SM-71 #1 wells both target salt dome related features which have seen prolific oil and gas production, they are geologically and geographically distinct.

The SM-71 well will target the primary D5 sands at less than 7,000 feet in a benign pressure regime. Well design has been purposefully kept simple.



SM 70/71 Location Map

Total Field Production 116 mmbo + 375 BCF



Otto's Managing Director, Matthew Allen said: "Notwithstanding the disappointing outcome at SMI-6 #2, Otto considers the opportunity at SM-71 #1 to be a compelling and low-cost drilling opportunity with the potential to yield strong value for its shareholders. It is important to note that the SM-71 opportunity is geologically independent from the recently drilled SM-6 #2 well and Otto is satisfied that the team at Byron can successfully drill the SM-71 #1 well to the target interval.

Despite the setback intersecting an impenetrable shale interval in SM-6 #2, we have been very pleased with the performance of the rig and the operating team at Byron and look forward to commencement of operations at the SM-71 #1 well in the coming few days."

In order to earn a 50% working interest (equal to a 40.625% revenue interest) in the SMI-70/71 Leases, Otto will contribute 66.67% of the costs of the well (estimated at US\$3.0 million net to Otto). Any costs above this amount in respect of the SM-71 #1 well and all future expenditure on the license will be in accordance with Otto and Byron's participating interest (Otto 50%). Otto has also reimbursed Byron for US\$0.9 million in pre-effective date costs predominantly associated with the acquisition and processing of 3D seismic used to define the target at the SM-71 #1 well.

Otto is able to fund all activities under the Participation Agreement with Byron Energy from existing cash resources.

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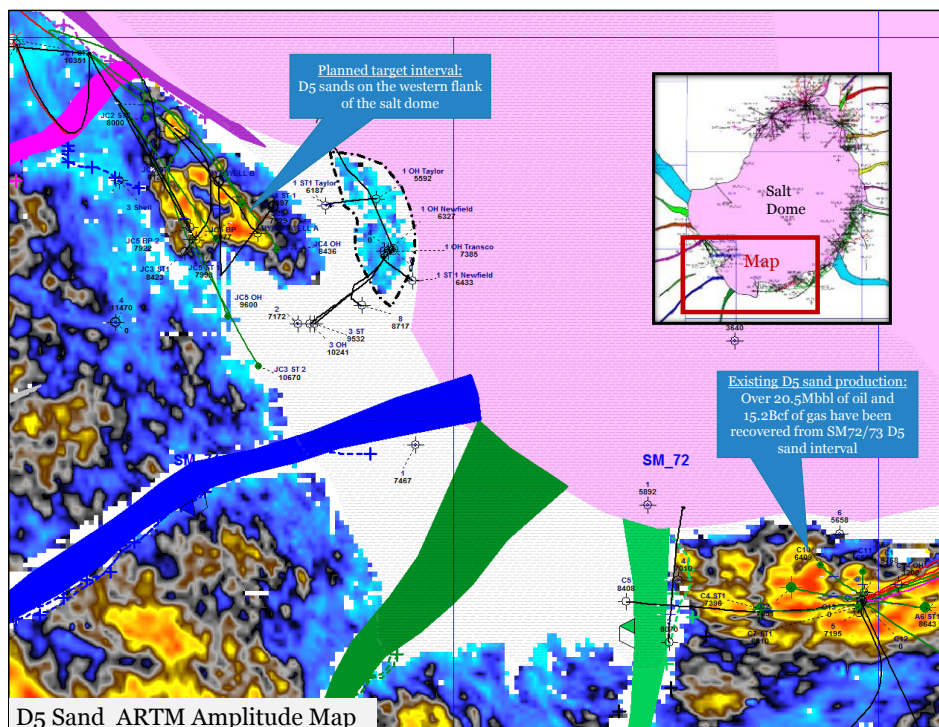
Appendix 1 Overview of SM-71 #1 Well and Development Opportunity

Drilling of the SM-71 #1 well will earn Otto the rights to the following net revenue interests (as determined by independent consultants, Collarini and Associates):

- Oil Mbbl (1P-2P-3P)- (249 - 343 - 520) and a prospective oil resource of 2,277 Mbbl; and
- Gas Mscf (1P-2P-3P)- (134 - 185 - 322) and a prospective resource of Gas 1,680 Mscf

The main D5 target sands (classified as a prospective resource), are updip from a legacy well (Shell #2) and a secondary target in the J sands contains attic potential (classified as reserves) updip from the #JC5ST1 well. As a result, Otto assigns a 70% chance of success to this opportunity. Further details on the well are set out below:

South Marsh Island-71 #1 Well	
Reservoir type	Pleistocene to Pliocene
Total Depth	7,451 feet (2,271m) MD/6,900 feet (2,100m) TVD
Water Depth	130 feet / 40 metres
Geological Chance of Success	70% chance of intersecting oil or gas within net reserve and prospective resources range
Key Risks	• Thickness of net pay • Connectivity within reservoir
Drilling program	The Hercules 205 drilling unit has been contracted by Byron Energy and will be mobilised from the drilling currently being executed at SMI-6.



ARTM Seismic line through SMI-71 well showing main target (D5) and analogues in the same interval on the salt dome

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.