ASX ANNOUNCEMENT
20 July 2016

INDEPENDENT RESERVES REPORTED FOR SM-71 (Updated Release)

- **Successful exploration drilling results in maiden reserves booking for Otto's Gulf of Mexico portfolio – Net 2P reserves of 2,271 Mboe to SM-71**
- **SM-71 discovery has been delivered for a finding cost of US$2.11 per BOE**
- **Additional upside identified in near field opportunities that can be evaluated in future drilling campaigns at minimal cost**

Otto Energy Ltd (ASX: OEL) ("Otto" or the "Company") has been advised by the Australian Securities Exchange that the announcement of the maiden reserves booking for SM-71 made on 7 July 2016 has not complied with all of the requirements of Listing Rule 5.31. This is an updated release containing the original material and supplemental material in order to comply with Listing Rule 5.31.

Otto is pleased to advise that it has received the independent reserves report on the SM-71 discovery in the shallow waters of the Gulf of Mexico from Operator, Byron Energy Limited (ASX: BYE) ("Byron").

The independent reserves estimates were prepared by Collarini Associates ("Collarini"), based in Houston, Texas, USA.

SM-71 is a joint venture between Byron and Otto, as initially announced to the ASX on 11 December 2015. Byron is the operator of SM-71 with each company having a 50% working interest and a 40.625% net revenue interest in the project.

Otto Energy Ltd Reserves SM-71 (Net to Otto) Gulf of Mexico, offshore Louisiana, USA			
30 June 2016	**Oil Mbbl (*)**	**Gas MMscf (*)**	**MBOE (6:1)**
SM-71 (Undeveloped)			
Proved (1P)	582	404	649
Probable Reserves	1,445	1,058	1,621
Proved and Probable (2P)	2,027	1,462	2,271
Possible Reserves	540	373	602
Proved, Probable and Possible (3P)	2,567	1,835	2,873
Total Prospective Resource (Best estimate, unrisked)	2,043	1,990	2,375

*Mbbl = thousand barrels; MMscf = million standard cubic feet; Mboe = thousand barrels of oil equivalent ("BOE") with a BOE determined using a ratio of 6,000 cubic feet of natural gas to one barrel of oil – 6:1 conversion ratio is based on an energy equivalency conversion method and does not represent value equivalency

The reclassification of the now discovered D5 sand from Prospective Resource to Reserves has been offset by the inclusion of a newly matured opportunity in the B65 sand within the Prospective Resource category. The B65 sand overlies the D5 sand reservoir in the vicinity of the SM-71 #1 well and is a prolific oil producer on other portions of the SM-71 salt dome. This target forms additional upside that can be evaluated in future drilling programs at minimal additional cost. The joint venture will continue to incorporate the results of the recent drilling campaign into its understanding of the salt dome play to identify further potential upside.

Oil prices used in the reserves report represent NYMEX base, starting on July 1, 2016 of $US50.21 per barrel with a final price of $US59.97 per barrel on December 1, 2023 and held constant thereafter; gas prices used in this report represent Henry Hub base, starting on July 1, 2016, of $US3.10 per MMscf, rising to a final price of $US4.68 per MMscf on December 1, 2029 and held constant thereafter.

Otto's Managing Director, Matthew Allen said: *"Otto is very pleased to report its maiden reserves in the Gulf of Mexico portfolio acquired in late 2015. The SM-71 discovery has delivered a very significant reserve base to Otto for a very low finding cost of US$2.11 per barrel of oil equivalent. With additional near field drilling opportunities being identified, the SM-71 lease is proving to be very value accretive for the joint venture. We look forward to bringing this discovery into production in 2017 and return to being a cashflow producer."*

Appendix 1
Reserves and Prospective Resources as at 30 June 2016

Otto Energy Ltd Reserves SM-71 (Net to Otto) Gulf of Mexico, offshore Louisiana, USA										
Reserves Reconciliation	**Oil (Mbbl)**					**Gas (MMscf)**				
	30-Jun-15	**Prod'n**	**Farm-in**	**Revisions**	**30-Jun-16**	**30-Jun-15**	**Prod'n**	**Farm-in**	**Revisions**	**30-Jun-16**
SM-71 (Undeveloped)										
Proved (1P)	-	-	249	333	582	-	-	135	270	405
Probable Reserves	-	-	94	1,351	1,445	-	-	51	1,007	1,058
Proved and Probable (2P)	-	-	343	1,684	2,027	-	-	186	1,277	1,463
Possible Reserves	-	-	177	363	540	-	-	138	236	374
Proved, Probable and Possible (3P)	-	-	520	2,047	2,567	-	-	324	1,513	1,837
	Oil (Mbbl)					**Gas (MMscf)**				
	30-Jun-15	**Prod'n**	**Farm-in**	**Revisions**	**30-Jun-16**	**30-Jun-15**	**Prod'n**	**Farm-in**	**Revisions**	**30-Jun-16**
Total Prospective Resource (Best estimate, unrisked)	-	-	2,277	- 234	2,043	-	-	1,680	310	1,990

After adjusting for the farm-in from Byron Energy Limited, announced to the ASX on 11 December 2015, the significant upward revisions in 1P, 2P and 3P reserves between 30 June 2015 and 30 June 2016 mainly reflects the impact of the successful drilling of the SM 71 #1 well, the results of which were announced to the ASX on 2 May 2016, resulting in re-classification of D5 sand net oil pay from Prospective Resources to Reserves.

After adjusting for the farm-in from Byron Energy Limited, announced to the ASX on 11 December 2015, the revisions in Prospective Resources between 30 June 2015 and 30 June 2016 mainly reflect the impact of the successful drilling of the SM 71 #1 well, with re-classification of D5 Sand net oil pay from Prospective Resources to Reserves) offset by inclusion of the B 65 Sand in Prospective Resources.

Additional Disclosures required under Listing Rule 5.31:

Listing Rule 5.31.4 – description of:	
• The basis for confirming commercial producibility and booking petroleum reserves	The commercial producibilty of undeveloped reserves is based on close analogy to nearby production from similar stratigraphic sands and which exhibit a similar trapping style and the well logs obtained while drilling SM 71 #1 well.
• The analytical procedures used to estimate the petroleum reserves	Undeveloped reserves are estimated using a combination of structure mapping from 3D Anisotropic RTM seismic and logs from Byron Energy SM 71 #1 well drilled in May 2016, and well log data from previously producing wells on SM71 and adjacent blocks have been incorporated into the evaluations.
• The proposed extraction method	Water drive reservoirs with sand control completions.
• If applicable, any specialized processing required following extraction	Nil.

Listing Rule 5.31.6 If the reported estimates of petroleum reserves relate to undeveloped petroleum reserves, a brief statement regarding:	
• The status of the material oil and gas project	The successful SM 71 #1 well has been mudline suspended and completed for future production through ANKOR (Offset operator) facilities at SM 69B. The following additional items are needed to bring the well into production:- (a) Braced caisson or tripod type structure (b) Topside at SM 71 and topside modifications at SM 69B, and (c) New flowlines to offset operator platform.
• When development is anticipated	Byron has initiated the facility and pipeline design process with the objective of achieving initial production by mid-2017.
• The marketing arrangements that justify development	Gulf of Mexico has a well-established oil and gas marketing infrastructure making sale of commercial oil and gas production virtually certain.
• Access to transportation infrastructure	Gulf of Mexico has a well-established and accessible transportation infrastructure which allows relatively quick access to market.
• Environmental approvals required	Prior to drilling SM 71 #1 well Byron obtained (i) approval for an Exploration Plan ("EP") from the Bureau of Ocean Energy Management ("BOEM"), and (ii) a permit to drill from the Bureau of Safety and Environmental Enforcement ("BSEE"). Byron is in the process of compiling a Development Operations Co-ordination Document ("DOCD") for approval by the BOEM which Byron expects to obtain in normal course.

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

(i) The reserves and prospective resources information in this document is effective as at 30 June, 2016 (Listing Rule (LR) 5.25.1)

(ii) The reserves and prospective resources information in this document has been estimated and is classified in accordance with SPE-PRMS (Society of Petroleum Engineers - Petroleum Resources Management System) (LR 5.25.2)

(iii) The reserves and prospective resources information in this document is reported according to the Company's economic interest in each of the reserves and net of royalties (LR 5.25.5)

(iv) The reserves and prospective resources information in this document has been estimated and prepared using the deterministic method (LR 5.25.6)

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.