

ASX ANNOUNCEMENT

27 April 2016

SM-71 #1 DISCOVERY UPDATE– GULF OF MEXICO

- **SM-71 #1 preliminary porosity logs indicates net oil pay of 132 feet/40 metres**
- **Production liner run and cemented to a depth of 6,820 feet/2,078 metres**
- **Joint venture has elected to deepen SM-71 #1 by approximately 600 feet/180 metres to evaluate all prospective pre-drill target sands (this is expected to come within the original AFE well cost estimate)**

Otto Energy Ltd (ASX: OEL) (“Otto” or the “Company”) is pleased to provide the following update on the SM-71 #1 well located at the South Marsh Island Block 71.

Completion of logging and casing operations

Otto has been advised by Operator, Byron Energy Inc., a subsidiary of Byron Energy Limited (ASX:BYE) (“Byron”), that a quad combo porosity logging run has been acquired and 7 5/8” casing has been run and cemented to a depth of 6,820' measured depth (2,078 metres) /6,471' true vertical depth (1,972 metres).

Based on the initial logging results, Otto has determined preliminary estimates of net True Vertical Thickness (TVT) oil pay counts for the SM71 #1 well are as follows:

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|------------------|--------------------------------|
| • I3 Sand | 17 feet TVT Net Oil Pay |
| • J Sand | 24 feet TVT Net Oil Pay |
| • D5 Sand | 91 feet TVT Net Oil Pay |

The quad combo log, which includes neutron/density and sonic porosity data, is currently undergoing complete analysis, however, log experts, including those from Baker Hughes, confirm that the log demonstrates the presence of oil across all three pay intervals identified in the Company’s previous ASX release (20 April 2016). These zones are correlative and analogous to productive zones from the SM71 and adjacent SM72 Fields. A final, processed version of the log will be available later this week and will be used for further analysis to determine final net pay counts in the I3 Sand, J Sand and D5 Sands. Additionally, Isotube samples from each sand interval have been sent to a laboratory for full analysis of hydrocarbon properties including estimates of API gravity and BTU content.

The SM 71 reserve and resource estimates, incorporating the results of the SM 71 #1 well, will be updated as soon as practicable by independent reserves certifier, Collarini and Associates.

Deepening of well to test further oil potential

Given the excellent results delivered in the drilling to date, the joint venture has elected to deepen the well by approximately 600 feet/182 metres to the original planned TD of the SM71 #1 well to ensure the entire package of D5 Sand lobes have been evaluated. Further the D6 Sand, a secondary pre-drill target lies below the D5 Sand and will also be evaluated by deepening the well. The cost to deepen the well to the original permitted depth of 7452' MD/ 6900' TVD (2272m MD/ 2104m TVD) will be within the original AFE well cost estimate.

Current operations are installing and testing blow out preventers, picking up 3 1/2" drill pipe prior to re-commencing drilling operations mid-week. The well should reach total depth late this week.

Otto's Managing Director, Matthew Allen said: *"The SM-71 #1 well has delivered an excellent start to Otto's drilling campaign in the Gulf of Mexico and is an early vindication of Otto's entry into the region through its staged, optional, farm-in transaction with Operator, Byron Energy. We are very encouraged by these results and look forward to evaluating the deeper D6 sand interval in the coming week, which has the potential to add further to the success of this well. Pleasingly, and due to operational efficiency, the cost of testing of this deeper target is expected to remain within the original AFE amount. We are seeing significant shareholder value being created with this drilling campaign and we look forward to achieving our goal of a return to production in 2017."*

Overview of Otto farm-in with Byron Energy

The SM 71 #1 well is the second well to be drilled as part of the farm-in with Byron announced in December 2015. The SMI-71 #1 well has been drilled to the earning depth and Otto has earned a 50% working interest in the SMI70 /71 licences.

The SMI-71 lease is part of a portfolio of low cost, high chance of success, conventional oil and gas opportunities located both onshore and offshore the Gulf of Mexico, which Otto has the option to participate in as part of the transaction.

In order to earn a 50% working interest (equal to a 40.625% revenue interest) in the SMI-71 Lease, 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 is able to fund all activities under the Participation Agreement with Byron Energy from existing cash resources.



Hercules 205 Drilling Rig

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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.