

## ASX ANNOUNCEMENT

21 June 2016

**FARM DOWN OF UPCOMING TANZANIA DRILLING**

- **Successful farm out of a 25% participating interest in the upcoming Kito-1 Well in Kilosa-Kilombero Licence, onshore Tanzania to MV Upstream Tanzania Ltd**
- **Farm-down delivers funding coverage for Otto's share of drilling costs whilst retaining significant exposure to upside**
- **Otto Net Prospective Resource post farm down is 15-48.5-137MMbbls (Low-Best-High)**
- **Kito-1 Well on track for spud 2H 2016 and part of Otto's multi-well campaign for 2016/17**

Otto Energy Ltd (ASX: OEL) ("Otto" or the "Company") is pleased to advise that it has reached an agreement with MV Upstream Tanzania Limited ("MV Upstream"), a joint venture between Vegas Oil & Gas Limited, ("Vegas") and Motor Oil Hellas SA ("MOH") in respect of the assignment of a 25% participating interest in the Kilosa-Kilombero Licence (the "Licence"), onshore Tanzania.

Under the terms of the farm down agreement with MV Upstream:

- MV Upstream shall pay to Otto the sum of US\$2.3 million (inclusive of applicable taxes) for a 25% participating interest in the Licence as reimbursement of historical costs incurred by Otto.
- In addition to paying its 25% participating interest share of well costs, MV Upstream shall carry Otto's remaining 25% working interest through the drilling of the Kito prospect up to an amount of US\$2 million. Costs over and above this capped amount shall be payable by Otto in accordance with its remaining 25% participating interest. Well costs are currently estimated at around US\$10 million.
- In the event of a discovery at Kito, MV Upstream shall carry Otto's remaining 25% working interest through the drilling of an appraisal well up to an amount of US\$1 million.

The transaction is conditional upon customary Tanzanian regulatory and joint venture approvals prior to completion.

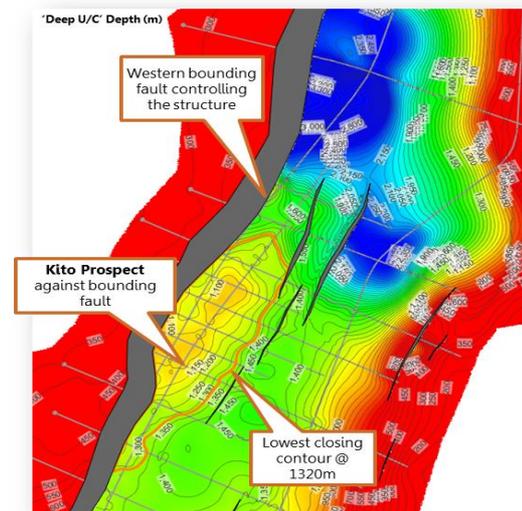
Otto's Managing Director, Matthew Allen said: *"Otto is very pleased to welcome Vegas and MOH to the Kilosa-Kilombero joint venture. The Vegas group has an extremely successful track record in exploration, development and production, particularly in Egypt, where the group has operated for more than 30 years and MOH is a substantial business with interests and holdings across all aspects of the downstream value chain. The farm down provides Otto shareholders with meaningful exposure to the high-impact exploration well targeting the 194MMbbl (gross Prospective Resource) Kito prospect, whilst conserving the Company's balance sheet. The joint venture continues to make preparations for drilling, with final rig selection and permitting continuing ahead of an expected spud date in the second half of 2016. The carried drilling in Tanzania extends what continues to be an active period for Otto post the Company's recent maiden discovery in the Gulf of Mexico and ahead of its planned multi-well campaign on the Alaskan North Slope."*

Otto was advised on this transaction by First Energy Capital in London.

## Overview of Kito Prospect

The Kito Prospect is a Miocene (Neogene) age bounded fault block target analogous to the highly successful prospects drilled in the Lokichar Basin in Kenya and around Lake Albert in Uganda. A discovery at Kito would open up several follow up targets within the Kilosa-Kilombero Licence.

Kito Prospect	
<b>Area of Closure</b>	50 km <sup>2</sup> Up to 250m column height
<b>Reservoir type</b>	Miocene (Neogene)
<b>Objective Depth</b>	900 – 1,300 metres
<b>STOIP</b>	269 – 780 – 1,954 MMbbls (Low – Best- High)
<b>Net Prospective Resource (*)</b>	15 – 48.5 - 137 MMbbls (Low – Best- High) *Represent OTTO 25% WI
<b>Geological Chance of Success</b>	15% chance of intersecting oil or gas within net prospective resource range
<b>Key Risks</b>	Presence of an active petroleum system in the Kilombero Basin
<b>Drilling program</b>	2016 drilling of Kito with expected well costs ~US\$10 million (gross joint venture, dry hole basis, before farm-down)



## About MV Upstream and Vegas Oil & Gas

MV Upstream is a newly formed joint venture established to participate in upstream activity. Vegas has a long track record of exploration and production activities in both Egypt and the USA and is privately owned. MOH is a diversified downstream company, which has a core business in refining crude oil products at its owned and operated Corinth Refinery. MOH is listed on the Athens stock exchange and during 2015 had a consolidated annual turnover of 7 billion Euros.

More information on MOH can be found on its website: [www.moh.gr](http://www.moh.gr)

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*The reserve and contingent resource information in this announcement is based on information compiled by Mr Paul Senycia 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 Senycia 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).*

### Prospective Resource Cautionary Statement

*The estimated quantities of petroleum that may potentially be recoverable by the application of a future development project(s) 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*