

**ASX ANNOUNCEMENT**

22 January 2018

**SM 71 F3 DEVELOPMENT WELL DRILLING AHEAD**

- **SM 71 F3 well drilling ahead at 4,969 feet MD**
- **10 3/4" surface casing set at 3,539 feet MD**
- **Drilling is proceeding according to plan and the well is currently expected to reach TD by early February**
- **First Production from F1, F2 and F3 wells expected early March 2018**

Otto Energy Limited (ASX:OEL) ("Otto" or the "Company") is pleased to advise that the OCS G-34266 #F-3 well ("F3") on South Marsh Island Block 71 ("SM 71"), was drilled to a depth of 3,539 feet Measured Depth ("MD") on 15 January 2018 where 10 3/4 inch casing was set and cemented in place. SM 71 F3 well is currently (4:00 PM USA Central Time, 21 January 2018) drilling ahead at 4,969 feet MD in 9 7/8 inch hole. It is anticipated that the well will be drilled to total depth and evaluated by early February.

The SM 71 F3 development well will be drilled to a planned total depth of 7,624 ft/2,324 metres MD, equivalent to 7,423 ft/2,263 metres true vertical depth ("TVD"). Completion operations on all three SM 71 wells, F1, F2 and F3, will commence sequentially once drilling of the F3 is finished.

The SM 71 F3 well is designed to intersect the D5 Sand very near the point that the F2 well intersected the D5 Sand which logged 117 feet of True Vertical Thickness ("TVT") oil pay. The F3 well will provide a second take point in the D5 Sand reservoir in addition to the F1 well (91 ft TVT oil pay), which was drilled in 2016.

Otto holds a 50% working interest (40.625% net revenue interest) in South Marsh Island Block 71 through a wholly owned subsidiary Otto Energy (Louisiana) Inc.. The operator, Byron, holds the remaining 50% working interest.

Otto intends to report on well progress as material milestones are achieved. For further information on the well, please see the Company's announcement on 10 January 2018.

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