

ST 224 EXPLORATION DRILLING TO COMMENCE MID-OCTOBER

- Enterprise 264 rig due to arrive on the ST 224 location in the coming week and commence drilling by mid-October 2017.
- The ST 224 well to target 3.2 MMbbls oil + 90 Bcf gas (Mid-case, 100% Project).
- High chance of success based on 3D seismic amplitude (AVO) support.
- Multiple options for quick and cost effective development of a discovery through to production.
- Shallow water and target depth enhance project economics due to lower drilling costs.

Otto Energy Limited (ASX:OEL) ('Otto' or the 'Company') is pleased to announce the drilling of a well within the South Timbalier 224 ('ST 224') lease in the Gulf Of Mexico shelf will commence shortly. Otto holds a 25% working interest in ST 224 which is operated by W&T Offshore. The Enterprise 264 drilling rig is expected to be on location within the coming week in preparation for drilling of this well.

Drilling will target a large, amplitude supported, high CGR (condensate gas ratio) gas condensate exploration prospect located in the prolific Bul. 1 trend. In house technical work indicates that the prospect being targeted has the potential to hold recoverable prospective resource volumes as shown in the table below.

	100% Project	Otto Net 25% WI before payout (boe @ 6:1)
Low case	2.5 MMbbls oil + 71 Bcf gas	0.6 MMbbls oil + 18.0 Bcf gas (3.60 MMboe)
Mid case	3.2 MMbbls oil + 90 Bcf gas	0.8 MMbbls oil + 22.5 Bcf gas (4.55 MMboe)
High case	8.5 MMbbls oil + 85 Bcf gas	2.1 MMbbls oil + 21.2 Bcf gas (5.63 MMboe)

The prospect, which sits in approximately 170 feet of water, will be drilled using the Enterprise 264 jack up drilling rig. The well has a relatively shallow target depth of 10,800ft (TVD) (11,439ft (MD)) and is expected to take around 55 days to drill and evaluate.

Given the high chance of success of this opportunity, the well has been planned so as to optimize a subsequent development. Should significant hydrocarbons be intersected, the plan is to accelerate development by completing this first well as a producer. Several existing production platforms fall within tie-back distance of the exploration well providing multiple options for rapid development. Otto is confident that a discovery can be brought on to production quickly and cost effectively.

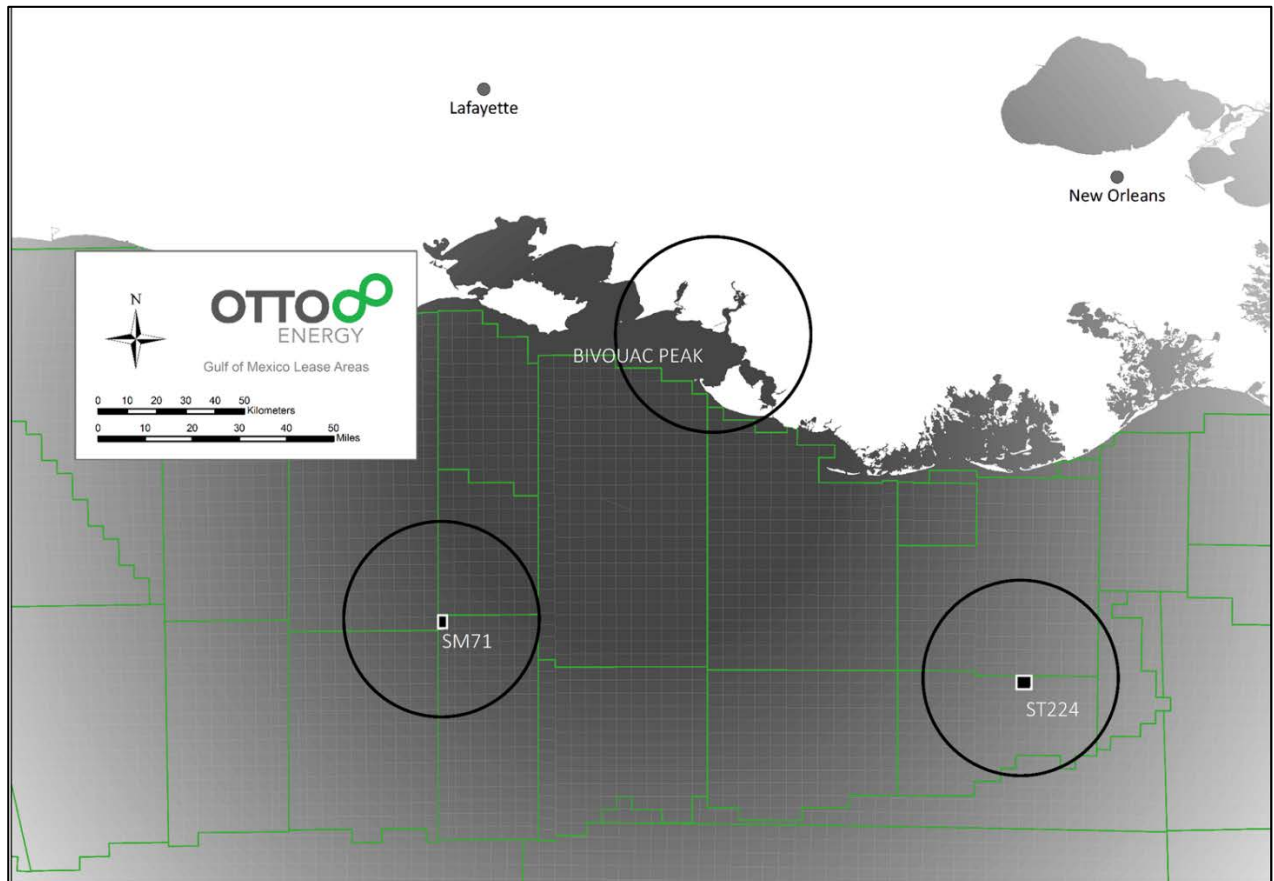
Otto's Managing Director, Matthew Allen, commented: "We are very excited to be involved with the drilling of the ST 224 well so soon after securing a 25% interest in this highly prospective opportunity. With an experienced Gulf of Mexico operator in W&T Offshore and a partnership which includes a very successful Gulf of Mexico prospect generator such as Houston Energy we feel confident that exploration drilling and subsequent development activities will be conducted in a quick, safe and cost effective manner."

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SCHEDULE 1 – BACKGROUND ON ST 224 PROSPECT

LOUISIANA/GULF OF MEXICO – SOUTH TIMBALIER 224

Location:	Offshore Gulf of Mexico
Gross Area:	20.23 km ² (5,000 acres)
Otto's Initial Working Interest:	25%
Water Depth:	170 feet
Prospect Target Depth:	10,800 feet (TVD), 11,439 feet (MD)



Definitions:

- TVD** True Vertical Depth (vertical distance from the wellhead to the target level)
- MD** Measured Depth (distance along the well bore from the wellhead – for inclined wells, this will be longer than the TVD)

Competent Persons Statement

The information in this report that relates to oil and gas resources in relation to ST 224 was compiled by technical employees of Otto, and subsequently reviewed by Mr Paul Senyca 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 Senyca is an 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). The 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 resources information included in this report are based on, and fairly represents, information and supporting documentation reviewed by Mr Senyca. Mr Senyca 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.

Prospective Resources

Prospective resource estimates in this report are prepared as at 5 October 2017. The resource estimates have been prepared using the 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 on which is available at www.spe.org. The estimates are un-risked and have not been adjusted for both an 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 contingent resources and the relevant market announcements referenced continue to apply and have not materially changed.

Prospective Resources cautionary statement

The estimated quantities of petroleum that may potentially be recovered by the application of future development projects 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.