

ASX ANNOUNCEMENT

30 March 2016

SM-6 #2 UPDATE– GULF OF MEXICO

- **SMI-6 #2 well has been plugged and abandoned, prior to reaching the primary target**
- **SM-6 #2 well side-track commenced however after subsequent stuck drill pipe event all efforts to jar free have been unsuccessful.**
- **Rig is demobilising from location and has moved to SMI-71 drilling site**

Otto Energy Ltd (ASX: OEL) (“Otto” or the “Company”) has been advised by Operator, Byron Energy Inc., a subsidiary of Byron Energy Limited (ASX:BYE) (“Byron”), that the SM-6 #2 well located at the South Marsh Island Block 6 has been plugged and abandoned at a depth of 8,084 feet (2,464 metres) Measured Depth after intersecting an impenetrable shale interval.

A bypass (side-track) operation had become stuck on 23 March 2016 after an unsuccessful attempt had been made to free a stuck drill pipe in the initial well bore. Over the ensuing days, multiple attempts had been made to retrieve the stuck drill pipe, all of which were unsuccessful. After an extensive review of both stuck drill pipe incidents, it was the conclusion of both Byron and Otto that the well would be unable to be deepened to the primary target in the G20 sand interval, approximately 320 feet (100 metres) below the current depth of the well.

As the well has not been able to reach the primary target of the G20 sand interval, Otto is not required to reimburse Byron for past costs and Otto will not earn an interest in the SMI-6 lease. Otto has the option to participate in a SM-6 substitute well at a later date, however given the drilling issues encountered this is an unlikely occurrence. Otto will be required to fund the final costs to plug and abandon the SM-6 #2 well at a later date, expected to be approximately US\$100,000 net to Otto.

The well has been drilled below the pre-drill cost estimate of US\$8.0m gross and Otto’s funding will not exceed the US\$5.3m outlined in prior announcements.

Otto’s Managing Director, Matthew Allen said: *“Otto is disappointed that the SM-6 #2 well has been unable to be drilled to the primary target interval. Drilling operations by Operator Byron Energy had been going very well until the point of intersecting this shale interval. The shale interval that has halted drilling had not been intersected in any of the other numerous wells around the SMI-6 salt dome and Byron has engaged with many industry experts in determining whether the well could be deepened to the primary target interval.”*

Otto would like to commend Byron and its numerous contractors on the performance and professionalism of the team in drilling this well. Unfortunately these type of unexpected drilling difficulties do occur, however we can assure Otto shareholders that all attempts have been made to drill this well to the primary target using all tools and technology available in the industry.”

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