

ASX ANNOUNCEMENT

7 July 2016

OTTO EXERCISES OPTION TO PARTICIPATE IN BIVOUAC PEAK

- **Acquires a 45% working interest in ~2,500 acres (10 km²) in the highly productive transitional zone, onshore coastal Louisiana**
- **Multiple exploration prospects identified on 3D seismic within a regionally proven trend of prolific Miocene production**
- **First exploration well planned to be drilled in early 2017 and funded from existing cash**
- **Post thorough technical review - SM-6 re-drill not to be progressed by joint venture**

Otto Energy Ltd (ASX: OEL) ("Otto" or the "Company") is pleased to advise that it has exercised its option under the staged farm-in with Operator, Byron Energy Limited (ASX: BYE) ("Byron") to acquire a 45% working interest in the Bivouac Peak lease. Otto has exercised this option following the successful drilling of the SM-71 #1 exploration well which is now being developed with first production expected in mid-2017. In addition, the Company advises that the SM-6 joint venture will not be undertaking a re-entry of the SM6 #2 well.

Acquisition of Bivouac Peak interest

The Bivouac Peak lease covers approximately 2,500 acres of highly prospective acreage in the transitional zone onshore southern Louisiana. Byron has identified multiple prospects at both the Middle and Lower Miocene levels demonstrating stacked amplitude and AVO (amplitude versus offset) support. Follow-up drilling options have been identified at the Lower Miocene level that could increase the scale of the overall opportunity.

Additional geological and geophysical work will be undertaken by the joint venture prior to drilling of the first well, which is presently targeted for early 2017. With nearby production infrastructure already in place, any successful well at Bivouac Peak would be capable of being brought into production within 6-12 months.

Otto's Managing Director, Matthew Allen said: *"Otto is very pleased to continue building a very positive working relationship with Byron Energy by committing to the Bivouac Peak lease. The joint venture expects to be in a position to drill the first well in early 2017 after our technical teams finalise additional geological and geophysical work. Otto looks forward to the drilling of highly prospective opportunities such as Bivouac Peak in the southern coastal and onshore areas of Louisiana and building on our recent exploration success in the Gulf of Mexico, which is now moving towards development."*

South Marsh Block 6 update

On 30 March 2016 the Company announced that the SM6 #2 well, located in the South Marsh Block 6 ("SM6") lease would be temporarily abandoned after the drill pipe became irretrievably stuck. Following completion of post well engineering, drilling and geology studies, Otto and Byron have decided not to attempt to re-enter the SM6 #2 well and complete drilling down to the G 20 sand target interval as the activity is deemed high risk.

As previously reported, because the SM 6 #2 well failed to reach the G 20 sand interval, Otto did not earn an interest in the SM 6 lease, hence Otto is not required to reimburse Byron for past costs and is only obliged to pay its share of the cost of drilling and abandoning the SM 6 #2 well. Otto's share of remaining operational costs is expected to be US\$0.1 million.

Appendix 1 Overview of Bivouac Peak Opportunity

Otto has earned a 45% working interest in the Bivouac Peak lease and has an option to participate in the drilling of the first exploration well on the lease area.

Significant production exists in the adjacent Miocene sequence at Little Bay field (>45 Bcf gas and 5 MMbbl condensate) and the Atchafalaya Bay field (>100 Bcf gas and 0.6 MMbbl condensate).

Bivouac Peak Lease		
Interest	Working Interest	45% (Otto earns this working interest by paying 60% of the first well cost, capped at US\$6.0m contribution)
	Net Revenue Interest	33.525%
Lease area	~2,500 acres/ 10 km ²	
Reservoir type	Middle to Lower Miocene	
Total Depth	~17,500 feet (~5,350m) MD/~17,000 feet (~5,350m) TVD	
Water Depth	0 feet / 0 metres	
Net Prospective Resource	Currently being reviewed by Collarini & Associates.	
Key Uncertainty	• Thickness of net pay	

