

ASX ANNOUNCEMENT

17 June 2016

SC55 MORATORIUM UPDATE

- **Department of Energy approves two-year moratorium to undertake geophysical studies**
- **Otto Energy to withdraw assigning working interest to remaining joint venture parties**

Otto Energy Ltd (ASX: OEL) (“Otto” or the “Company”) is pleased to advise that it has received approval from the Philippines Department of Energy for a two-year moratorium until 23 December 2017 on required work activity under Service Contract 55. The joint venture will undertake a specialised geophysical study in the interim period to determine if further drilling activity is warranted in SC55.

Otto undertook the drilling of the Hawkeye-1 exploration well in 2015, delivering the well on time and under budget. The volume of gas discovered in the Hawkeye-1 well was below a level that would be economic to develop.

Otto has indicated to the remaining joint venture partners that it will not continue with further activity in SC55 and will assign its working interest to the remaining joint venture partners. Documentation to give effect to this assignment is being finalised.

Otto’s Managing Director, Matthew Allen said: *“Otto is would like to thank the Philippines Department of Energy for the support that it has given over the ten years that Otto has operated in the Philippines. Whilst disappointing that SC55 has not delivered the significant discovery that was being sought, Otto has managed to undertake this large exploration program without exposing its balance sheet to the risk of the exploration outcome. Otto has repositioned itself strategically in petroleum provinces that offer the opportunity for significant returns in the “lower-for-longer” oil price environment. Otto has moved away from high-cost frontier exploration into mature petroleum provinces with proven hydrocarbon plays.*

Otto has a fully funded and highly active drilling program across Louisiana, Alaska and Tanzania with the first discovery in South Marsh Island 71 licence being announced in May. Otto looks forward to further success with the upcoming drilling programs.