

ASX ANNOUNCEMENT

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SMI-71 FACILITY DESIGN CHANGE AND PROJECT UPDATE

- **Joint venture proposal to modify design concept to a manned platform which allows direct tie-in to sales pipelines**
- **Design change allows project to immediately tie-in future successful wells**
- **Manned facility significantly enhances SMI-71 project economics**
- **SMI-71 remains on track for first production in the fourth quarter of 2017**

Otto Energy Ltd (ASX: OEL) ("Otto" or the "Company") is pleased to provide the following update on the development work being undertaken by the Operator, Byron Energy Limited (ASX: BYE) ("Byron"), on Otto's 50% owned (40.625% net revenue interest) South Marsh Island 71 ("SMI-71") discovery.

As advised in August 2016, the joint venture has already procured a tripod platform and commenced work to modify the facility for use at the SMI-71 location. Further work undertaken by Byron in respect of the facility has led to a proposal to modify the design concept to a manned platform from the previously proposed unmanned facility.

The proposed manned structure will have the capacity to produce 4,500 Bopd and 5.0 Mmcfpd of gas. Access to adjacent oil and gas sales trunk lines are available on SMI-71 and those lines will be utilized for oil and gas export once production commences. Significant progress has already been made on the refurbishment of the jacket section of the platform and following completion of engineering design work, construction work on the deck portions will begin.

The incremental cost of the proposed manned facility utilizing the platform previously acquired by the joint venture is currently estimated at US\$ 3.0 million net to Otto. This incremental cost is more than offset by the benefit of reduced future operating costs and also the ability to deliver higher production rates and project economics. Otto's net contribution to the cost of the single well development is presently estimated at US\$9 million (excluding decommissioning and restoration bonds), which can be funded from existing cash reserves.

The joint venture plans to initially complete the SMI-71 #1 well in the D5 Sand with expectations of recording initial flow rates of 1500 to 2000 bopd (gross field production) similar to those recorded on the adjacent SMI-72 and SMI-73 blocks. After completion of the SMI-71 #1 well there is potential to drill up to four additional development wells, some of which will be able to target Prospective Resources in the B65 interval which has scope to double the present reserve base of the block.

Otto, has indicated it's in principle support for the manned facility, subject to receiving Byron's final proposed authority for expenditure and development plan. The final development plan is subject to JV approval.

Otto's Managing Director, Matthew Allen said: *"Otto is very pleased with progress being made by the Operator at SMI-71 and in particular the ability to modify the platform design concept to optimize the significant economic benefits of this project via the removal of third party tariff payments and the ability to accelerate production and development of future wells. Otto is fully funded for this development and looks forward to returning to the ranks of producers in the fourth quarter of 2017 particularly in the strengthening oil price environment."*