**ASX ANNOUNCEMENT**
3 July 2017

# OTTO ENERGY FARMS INTO SOUTH TIMBALIER 224 LEASE

- **Otto joins W&T Offshore in farming into Houston Energy's ST 224 lease in the Gulf of Mexico for a 25% working interest.**
- **A rig will be contracted shortly with drilling by operator, W&T Offshore, expected to commence in Q4 2017.**
- **The ST 224 lease contains a large amplitude supported, high condensate to gas ratio (CGR), gas condensate prospect delineated by 3D seismic. The prospect sits in shallow water and has a relatively shallow target depth, both of which enhance project economics.**
- **Several existing production platforms fall within tie-back distance of the proposed well making development of any discovered hydrocarbons both quick and cost effective.**

Otto Energy Limited (ASX:OEL) ('Otto' or the 'Company') is pleased to announce it has farmed into the South Timbalier 224 ('ST 224') lease in the Gulf Of Mexico shelf, for a 25% working interest. ST 224 contains a large, amplitude supported, high CGR, gas condensate exploration prospect located in the prolific Bul. 1 trend which is expected to be drilled in Q4 2017. The prospect is surrounded by analogue high CGR discoveries which present a similar amplitude expression on 3D seismic data making this a very attractive low risk exploration opportunity. Otto intends to release further information on the prospect, including prospect volumetrics, closer to the drilling date. A summary of lease working interests can be seen in the table below.

| Company | Working Interest (%) |
|---|---|
| W&T Offshore (Operator) | 39% |
| Otto | 25% |
| Houston Energy | 11% |
| Other Private US Company | 25% |

The prospect sits in approximately 170 feet of water and has a relatively shallow target depth. Several existing production platforms fall within tie-back distance of the proposed well, enhancing economics and making development of any discovered hydrocarbons both quick and cost effective. Additional follow up drilling potential exists on the lease.

Under the terms of the participation agreement, Otto will be required to fund 25% of the initial test well in the ST 224 lease (up to casing point) to earn a 25% working interest in the ST 224 lease. The financial commitment is currently estimated at US$2.7 MM (Otto share of dry hole costs), including funds to evaluate the well using wireline techniques and in a failure case to P&A the location. Otto will also pay US$81,250 in back costs.

There is no promote on the exploration well payable by Otto. Should a development proceed at ST 224, Houston Energy will be entitled to a backin after payout at the point where Otto recovers its share of all exploration and development expenditures from its share of net project revenues. Otto's Working Interest would be reduced by 10% at this point in time from 25% down to 22.5%.

> Otto's Managing Director, Matthew Allen, commented: *"We are excited to secure a 25% interest in the highly prospective ST 224 lease partnering with an experienced Gulf of Mexico operator in W&T Offshore and Houston Energy a very successful Gulf of Mexico prospect generator. This complements our existing SM 71 development in the Gulf of Mexico which is due to commence production in late 2017. The farm in structure with no promote on the initial test well, and a back in after payout only in the success case after all costs have been recovered minimizes up front entry costs. In the success case, pre-drill economics support a very robust development project at current oil price which W&T Offshore have indicated could have first production by end 2018. Otto hopes this is the start of a fruitful working relationship with these companies in the Gulf of Mexico."*

## SCHEDULE 1 – BACKGROUND ON ST 224 PROSPECT FARM IN

### LOUISIANA/GULF OF MEXICO – SOUTH TIMBALIER 224

| | |
|---|---|
| **Location:** | Offshore Gulf of Mexico |
| **Gross Area:** | 20.23 $km^2$ (5000 acres) |
| **Otto's Initial Working Interest:** | 25% |
| **Water Depth:** | 170 feet |
| **Prospect Target Depth:** | 10,500 feet (TVD) |

Through the drilling of an exploration well in ST 224, Otto will earn a 25% Working Interest (equal to a 19.5625% Net Revenue Interest) in the license in exchange for paying 25% of the initial test well costs to casing point, currently estimated at US$2.7 MM (Otto share) dry hole costs (including funds to evaluate the well using wireline techniques and in a failure case to P&A the location). In addition Otto will be required to fund US$81,250 in back costs.

Houston Energy will be entitled to a back in after payout, when Otto recovers from its net revenues from ST 224, all development and exploration expenditures (including back costs) spent on ST 224. Otto's interests before and after payout can be seen in the table below.

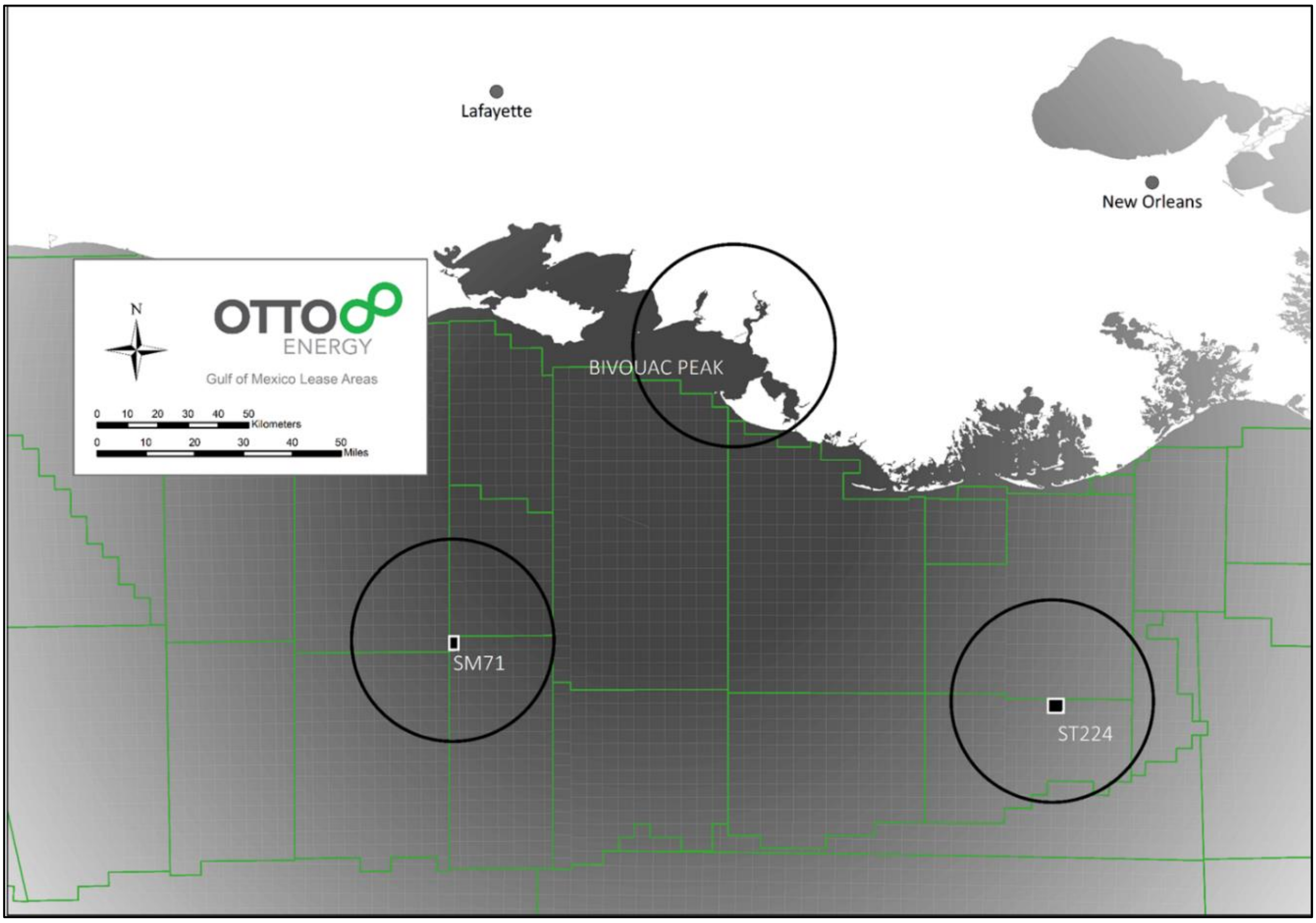
| | Before Payout | | After Payout | |
|---|---|---|---|---|
| | Working Interest | Net Revenue Interest | Working Interest | Net Revenue Interest |
| Otto | 25.0000% | 19.5625% | 22.5000% | 17.60625% |

### About W&T Offshore

W&T Offshore is a NYSE listed, independent oil and natural gas acquisition, exploitation and exploration company. W&T has significant operations in the Gulf of Mexico shelf and Deepwater. W&T's net production for Q1 2017 averaged 42,712 boe/d, all of which was from the Gulf of Mexico.

### About Houston Energy

Formed in 1988, Houston Energy, L.P. is a privately held independent oil and gas company exploring the Offshore Gulf of Mexico, South Louisiana, and Texas Gulf Coast with 95,000 square miles of 3D seismic data. They have has been one of the most accomplished prospect generators in the Gulf of Mexico. In the deepwater Gulf of Mexico, 19 out of 23 of their exploration prospects have encountered commercial hydrocarbon quantities for an 83% success rate.




Otto Energy Limited's Interests in the Gulf of Mexico



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