

ASX ANNOUNCEMENT

28 September 2017

Independent Reserves and Resources - 30 June 2017

Otto Energy Ltd (ASX: OEL) (“Otto” or “the Company”) advises that it has received the 30 June 2017 independent reserves report for the SM 71 project prepared by Collarini Associates (“Collarini”). Otto’s working interest share is summarised in the table below.

SM 71 Reserves and Prospective Resources – Otto Energy 50% Working Interest Share

Reserves (Undeveloped)	Oil (Mbbls)	Gas (MMscf)	Mboe (6:1)
Proved (1P)	715	496	798
Probable Reserves	1,778	1,302	1,995
Proved and Probable (2P)	2,494	1,798	2,793
Possible Reserves	660	455	736
Proved, Probable and Possible (3P)	3,153	2,254	3,529
Prospective Resource (Undeveloped, Best Estimate, Unrisked)	2,956	26,455	7,366

The SM 71 project is currently under development with the construction of a manned tripod facility nearing completion. In addition, the Operator (Byron Energy Limited (ASX: BYE) (“Byron”) has permitted, bid and awarded the work to build and connect a 500 foot oil pipeline and a 7,000 foot gas pipeline. Installation of the facility and pipelines is expected to be completed in November 2017. The Ensco drilling rig is expected on site in late November 2017 after installation of the tripod, to drill SM 71 F2 well and to complete the SM 71 F1 well. Currently, first oil and gas production is expected in January 2018 from the two wells at a combined rate of 3,000-4,000 barrels of oil per day.

Recent interpretation by the Operator of the 3D RTM and Full Waveform Inversion datasets has yielded two significant additions to the Prospective Resources attributable to SM 71. In addition to the previously identified B65 Sand potential, which will be a target in the SM71 F2 well, other potential has been identified in the D6 Sand and deeper sand intervals. These prospects can be reached from the SM71 F platform in the future as development proceeds and will become more attractive as natural gas prices increase. The B65 interval has a Prospective Resource of 2.869 MMboe (Otto’s 50% working interest share).

Following the commencement of production and allowing sufficient production data to be acquired, reserves in relation to SM 71 will be reviewed to incorporate any new understandings of the reservoir.

Otto has a 50% working interest/40.625% net revenue interest in SM 71. Byron Energy also holds a 50% working interest/40.625% net revenue interest in SM 71 and is the operator.

Otto’s full reserves and Prospective Resources Position at 30 June 2017 is set out in the attached tables.

Collarini has also provided an updated independent estimate of the prospective resources for the Bivouac Peak prospect as set out below. Given no drilling has yet occurred at this prospect, there are no changes from the prior disclosed prospective resource estimate.

Bivouac Peak Prospective Resources – Otto Energy 45% Working Interest Share

	Oil (Mbbls)	Gas (MMscf)	Mboe (6:1)
Prospective Resource (Undeveloped, Best Estimate, Unrisked)	7,196	79,950	20,520

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Reserves Statement

RESERVES AND PROSPECTIVE RESOURCES AS AT 30 JUNE 2017

OTTO ENERGY WORKING INTEREST (WI) %

Reserves	Oil (Mbbls)	Gas (MMscf)	Mboe (6:1)
SM-71 (undeveloped), WI (50%)			
Proved (1P)	715	496	798
Probable Reserves	1,778	1,302	1,995
Proved and Probable (2P)	2,494	1,798	2,793
Possible Reserves	660	455	736
Proved, Probable and Possible (3P)	3,153	2,254	3,529

Prospective Resource (Undeveloped, Best Estimate, Unrisked)	Oil (Mbbls)	Gas (MMscf)	Mboe (6:1)
SM-71, WI (50%)			
	2,956	26,455	7,366
Alaska WI (10.8%)	70,000	0	70,000
Bivouac Peak WI (45%)	7,196	79,950	20,520

RESERVES AND PROSPECTIVE RESOURCES AS AT 30 JUNE 2017

OTTO ENERGY NET REVENUE INTEREST (NRI) %

Reserves	Oil (Mbbls)	Gas (MMscf)	Mboe (6:1)
SM-71 (undeveloped), NRI (40.625%)			
Proved (1P)	581	403	648
Probable Reserves	1,445	1,058	1,621
Proved and Probable (2P)	2,026	1,461	2,269
Possible Reserves	536	370	598
Proved, Probable and Possible (3P)	2,562	1,831	2,867

Prospective Resource (Undeveloped, Best Estimate, Unrisked)	Oil (Mbbls)	Gas (MMscf)	Mboe (6:1)
SM-71, NRI (40.625%)			
	2,402	21,495	5,985
Alaska NRI (9 - 9.45%) *	58,333 – 61,250	0	58,333 – 61,250
Bivouac Peak NRI (33.525%)	5,361	59,562	15,288

* Precise weighted average royalty split unknown, volumetric range provided based on 12.5 to 16.67% royalty range.

Definitions

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| (1) "\$m" means USD millions of dollars | (5) "Mboe" means thousand barrels of oil equivalent ("BOE") with a BOE determined using a ratio of 6,000 cubic feet of natural gas to one barrel of oil – 6:1 conversion ratio is based on an energy equivalency conversion method and does not represent value equivalency |
| (2) "bbl" means barrel | |
| (3) "bbbls" means barrels | |
| (4) "Mbbbl" means thousand barrels | (6) "MMscf" means million standard cubic feet |
| | (7) "MMboe" means million barrels of oil equivalent ("BOE") with a BOE determined using a ratio of 6,000 cubic feet of natural gas to one barrel of oil – 6:1 conversion ratio is based on an energy equivalency conversion method and does not represent value equivalency |

Competent Persons Statement

The information in this report that relates to oil and gas resources in relation to Alaska was compiled by technical employees of Great Bear Petroleum, the Operator of the Alaskan acreage, and subsequently reviewed by Mr Paul Senycia BSc (Hons) (Mining Engineering), MAppSc (Exploration Geophysics), who has consented to the inclusion of such information in this report in the form and context in which it appears. Mr Senycia is an employee of the Company, with more than 30 years relevant experience in the petroleum industry and is a member of The Society of Petroleum Engineers (SPE). The resources included in this report have been prepared using definitions and guidelines consistent with the 2007 Society of Petroleum Engineers (SPE)/World Petroleum Council (WPC)/American Association of Petroleum Geologists (AAPG)/Society of Petroleum Evaluation Engineers (SPEE) Petroleum Resources Management System (PRMS). The resources information included in this report are based on, and fairly represents, information and supporting documentation reviewed by Mr Senycia. Mr Senycia is qualified in accordance with the requirements of ASX Listing Rule 5.41 and consents to the inclusion of the information in this report of the matters based on this information in the form and context in which it appears.

The reserve and contingent resource information in this report in relation to SM 71 and Bivouac Peak is based on information compiled by technical employees of independent consultants Collarini and Associates, under the supervision of Mr Mitch Reece BSc PE. Mr Reece is the President of Collarini and Associates and is a registered professional engineer in the State of Texas and a member of the Society of Petroleum Evaluation Engineers (SPEE), Society of Petroleum Engineers (SPE), and American Petroleum Institute (API). The reserves and resources included in this report have been prepared using definitions and guidelines consistent with the 2007 Society of Petroleum Engineers (SPE)/World Petroleum Council (WPC)/American Association of Petroleum Geologists (AAPG)/Society of Petroleum Evaluation Engineers (SPEE) Petroleum Resources Management System (PRMS). The reserves and resources information reported in this Statement are based on, and fairly represents, information and supporting documentation prepared by, or under the supervision of, Mr Reece. Mr Reece is qualified in accordance with the requirements of ASX Listing Rule 5.41 and consents to the inclusion of the information in this report of the matters based on this information in the form and context in which it appears.

Prospective Resources

Prospective resource estimates in this report are prepared as at 30 June 2017. The resource estimates have been prepared using the internationally recognised Petroleum Resources Management System to define resource classification and volumes. The resource estimates are in accordance with the standard definitions set out by the Society of Petroleum Engineers, further information on which is available at www.spe.org. The estimates are un-risked and have not been adjusted for both an associated chance of discovery and a chance of development. Otto is not aware of any new information or data that materially affects the assumptions and technical parameters underpinning the estimates of reserves and contingent resources and the relevant market announcements referenced continue to apply and have not materially changed.

Reserves cautionary statement

Oil and gas reserves and resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates that were valid when originally calculated may alter significantly when new information or techniques become available. Additionally, by their very nature, reserve and resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional drilling and analysis, the estimates are likely to change. This may result in alterations to development and production plans which may, in turn, adversely impact the Company's operations. Reserves estimates and estimates of future net revenues are, by nature, forward looking statements and subject to the same risks as other forward looking estimates.

Prospective Resources cautionary statement

The estimated quantities of petroleum that may potentially be recovered by the application of future development projects relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.