

## ASX ANNOUNCEMENT

27 April 2016

# OTTO ENERGY'S ALASKAN POTENTIAL UPGRADED

- **Alaskan North Slope continuing to yield major new discoveries**
- **Recently completed Icewine #1 well upgrades and de-risks unconventional Hue Shale play in Otto Energy's substantial acreage position, with a large portion identified to be within the "oil recovery sweet spot"**
- **Otto's acreage ideally positioned with multiple conventional plays identified using new 3D seismic**
- **Multi-well drilling campaign to start in 1H 2017 will test multiple conventional oil targets**

Otto Energy Ltd (ASX: OEL) ("Otto" or the "Company") is pleased to provide an update in relation to its Alaskan North Slope acreage position in which it holds an 8% - 10.8% working interest. Operator Great Bear Petroleum has made significant progress in preparation for a 1H 2017 multi-well drilling program.

Attached is a presentation package entitled "Alaskan North Slope Investment Update" which summarises the large integrated work program that Otto and Great Bear Petroleum have been undertaking ahead of the forthcoming multi-well drilling campaign.

Otto's Managing Director, Matthew Allen said: *"Otto is very pleased with the recent track record of the Alaskan North Slope which continues to deliver on both the conventional and unconventional fronts. The current activity in Otto's acreage is finalising the acquisition of a large 3D seismic campaign ahead of the commencement of a multi-well drilling program in early 2017 designed to test a number of conventional plays being developed by Otto and Great Bear Petroleum. The primary objective of the multi-well drilling campaign is to identify the most prospective of these conventional trends and sufficiently test their productive potential. In addition, recent drilling results immediately to the south of Otto's acreage confirms the unconventional Hue shale potential as an oil target across a significant portion of Otto's acreage."*

## Recent Developments

Otto's Vice President Exploration and New Business, Mr Paul Senyca, recently returned from visiting the Great Bear Petroleum team in Anchorage and the Company is pleased to advise that significant progress has been made in the development of a comprehensive conventional prospects and leads inventory. This included new insights into the regional depositional model helping the identification of material new conventional plays which will be tested in a drilling program scheduled for 1H 2017. Great Bear Petroleum is securing the required long lead items and a drilling rig to support the drilling program. The joint ventures focus is to test a series of large independent conventional opportunities.

The recently completed Icewine #1 well drilled immediately south of Otto's acreage provided insights into a number of key geological parameters required to commercialise the prolific unconventional Hue shale potential. This play, also tested in a number of wells on Otto's acreage, has now been partially de-risked as a substantial future unconventional target extending into the south of Otto's acreage position. Additional unconventional potential also exists in Otto's acreage at the Shublik and Kingak shale levels. These are mega plays that form the source intervals for multi-billion barrel conventional fields producing to the north of Otto's acreage position.

## Future Activity

Otto and Great Bear Petroleum are currently undertaking one of the largest proprietary 3D seismic programs acquired on the Alaskan North Slope. This acquisition program is 90% complete and will be processed, merged and interpreted in the coming months. Otto is free-carried on this 3D seismic acquisition.

Prospect selection from the existing comprehensive 3D seismic coverage is expected to be complete by mid-2016 leading to a multi-well conventional drilling campaign in early 2017. The campaign will target a number of independent conventional play types. Each well will potentially test one or more of these play types.

Otto shareholders are referred to the attached presentation material for further information on developments in the Alaskan acreage. Further updates will be provided as progress is made in preparing for the upcoming drilling campaign.

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ASX : OEL

# ALASKA NORTH SLOPE INVESTMENT UPDATE

INVESTOR PRESENTATION

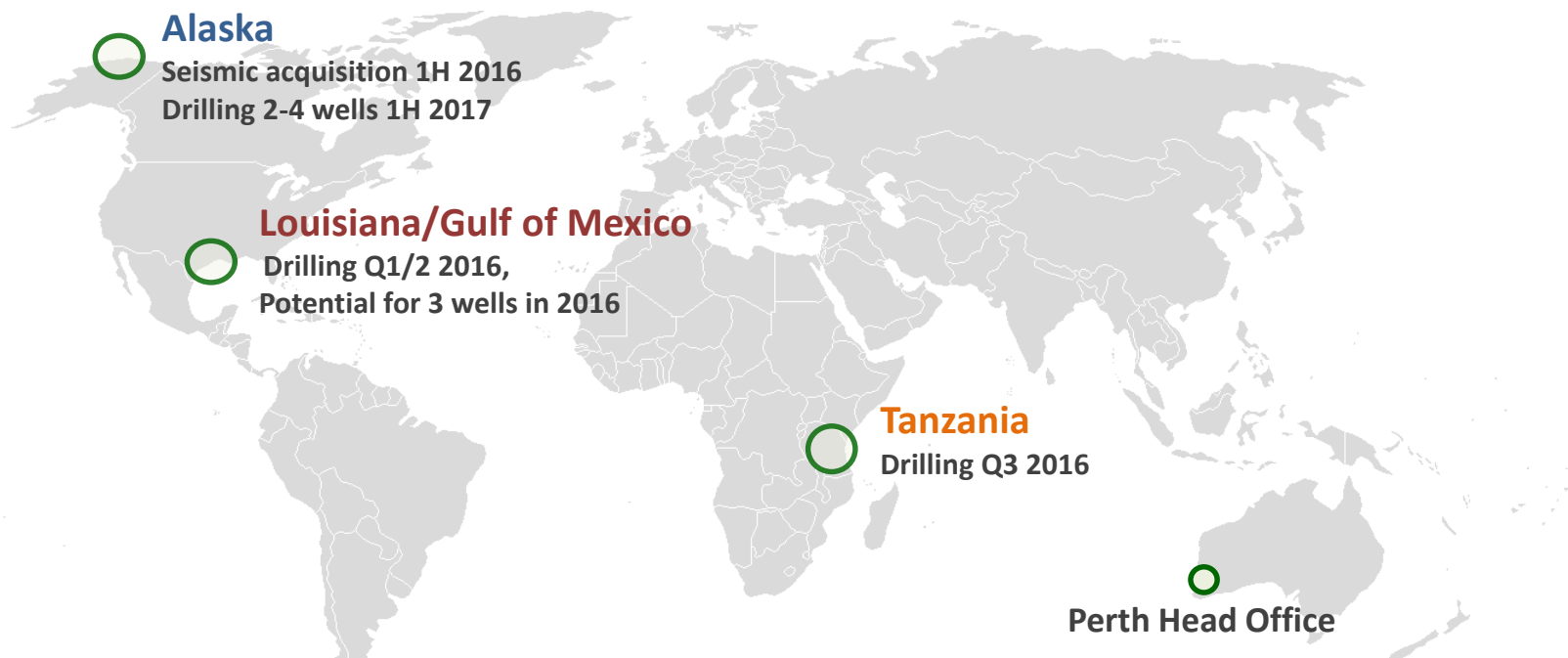
Matthew Allen, Managing Director and CEO

April 2016

**OTTO**  
ENERGY

# Overview

Active exploration and production opportunities across prolific petroleum basins



## Investment Highlights:

- ◆ Share price cash backed – A\$35m cash or 3 cents per share (current share price 3.6 cps)
- ◆ Diversified portfolio in high impact regions
- ◆ Drilling high chance of success wells adjacent to proven production in North America
- ◆ Drilling 6+ wells in 2016/17 – all wells can be funded by Otto Energy's existing cash position
- ◆ Focus on opportunities with short lead time to production

# 2016-2017 Multi-well drilling campaign

Gulf of Mexico	Tanzania	Alaska
First well drilled Q1 2016	Drilling Q3 2016	Drilling 2 to 4 wells 1H 2017
Second well drilled Q2 2016 – oil and gas discovery	Large target volumes (>150MMbbl)	Focus is to test significant conventional oil targets
Third option well 2H 2016	Multiple follow-up opportunities	Unconventional plays being de-risked by nearby drilling
High chance of success		

- ◆ Diversified and balanced portfolio of opportunities
- ◆ Fully funded by Otto Energy's robust cash balance of A\$35 million
- ◆ Demonstrated focused financial management & capital efficiency

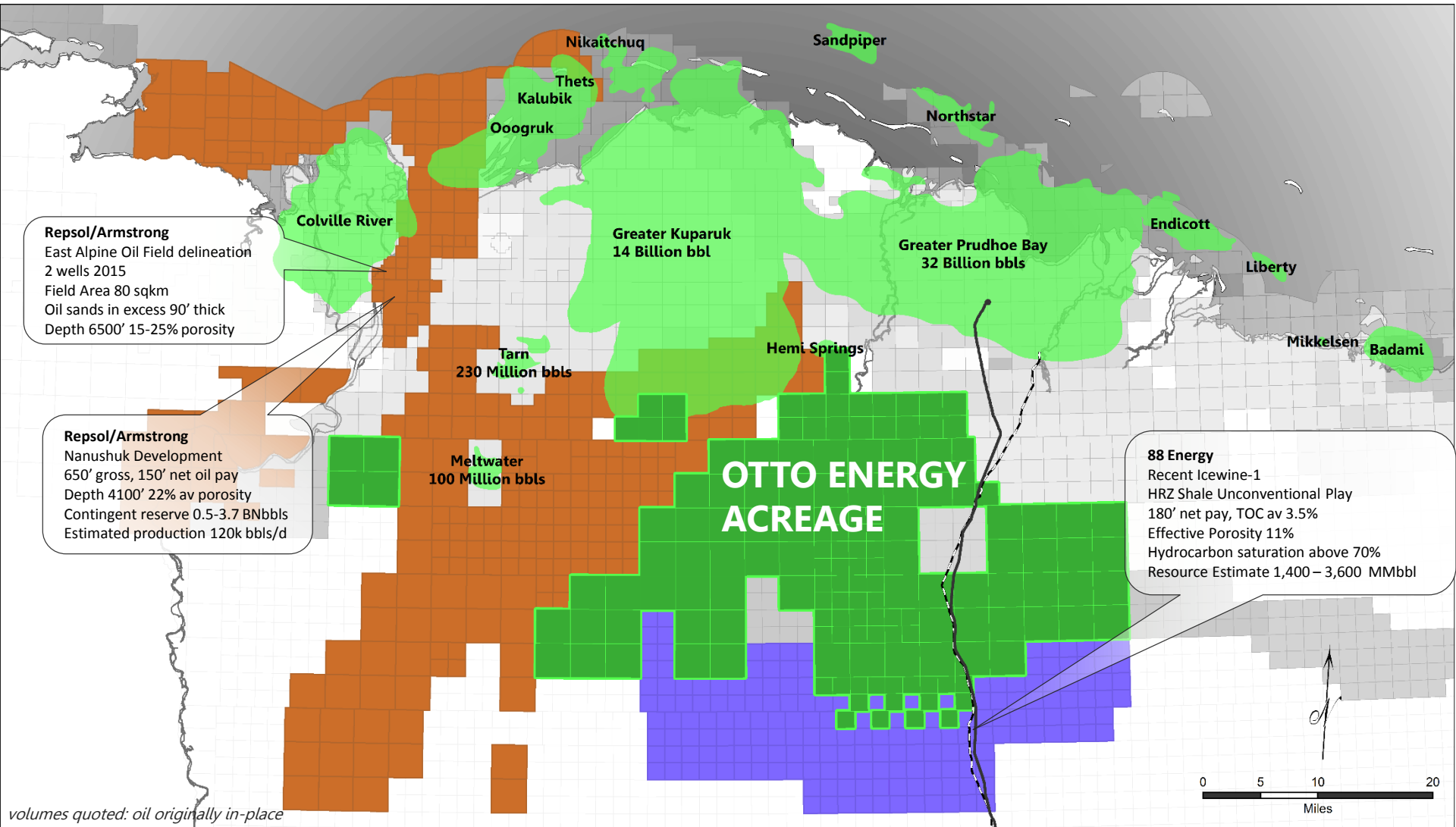
# Alaska

**(8-10.8% Working Interest)**

- ◆ Proven production analogues
- ◆ Available infrastructure within Otto Energy acreage
- ◆ High quality 3D seismic covering entire acreage
- ◆ Oil recovered from multiple wells in Otto Energy acreage
- ◆ Capped cost exposure on drilling

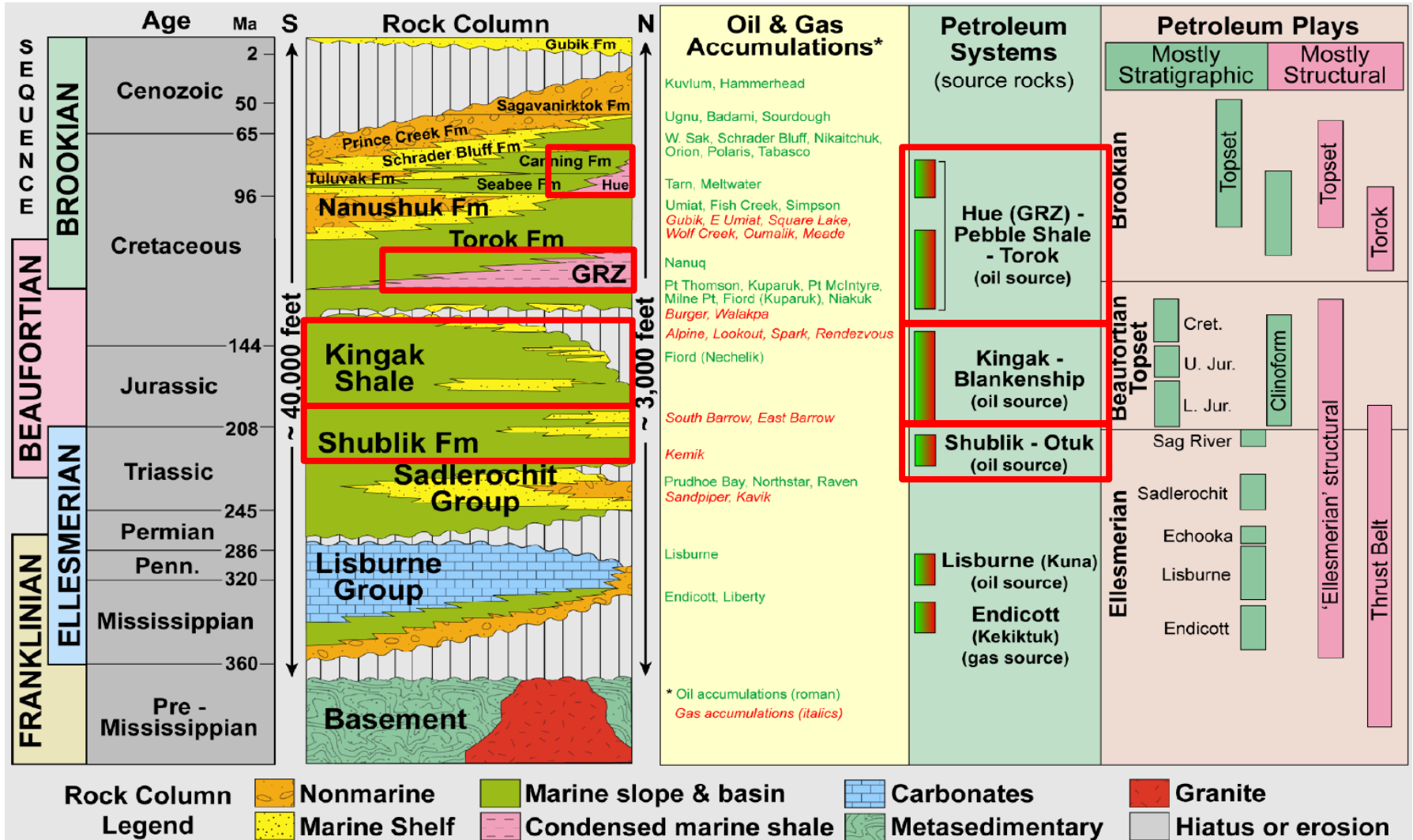
# Recent Exploration & Development

Unlocking giant fields in Alaska



# Abundant Source Rocks

## All potential unconventional targets



Source: Alaska Department of Natural Resources, Division of Oil and Gas



# Early Mover Advantage in High Impact Opportunity

## Following decades of limited exploration and appraisal ...

- ◆ Government fiscal incentives encourage new investment
- ◆ Now, the North Slope is yielding major new discoveries

## Otto Energy is in the prime location for low risk expansion

- ◆ Adjacent to the major producing fields
- ◆ Open access infrastructure
- ◆ Multiple conventional and unconventional play types
- ◆ Significant existing 3D seismic
- ◆ New 3D seismic being acquired
- ◆ Merged 3D data will cover entire block
- ◆ Significant well control



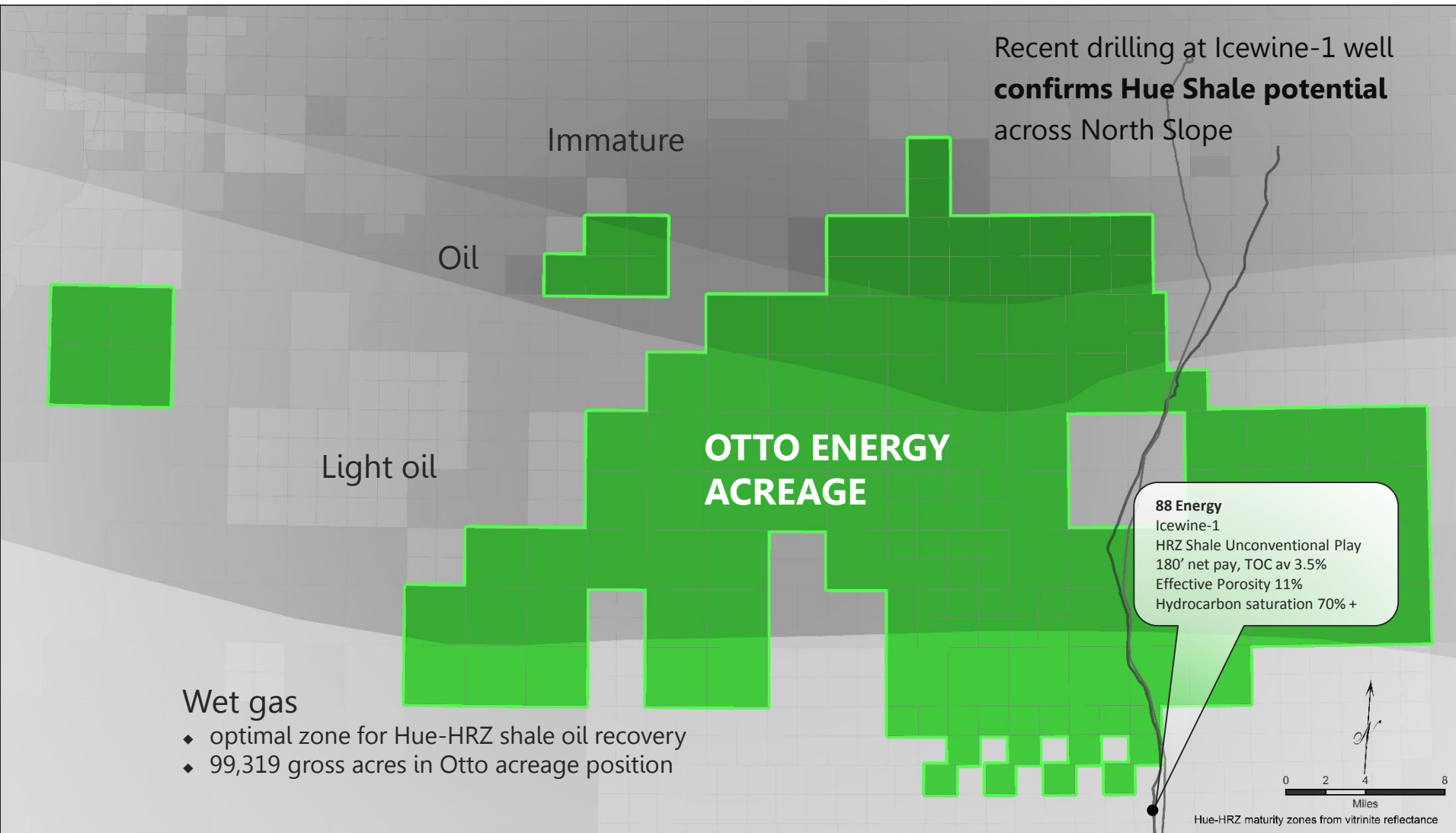
# Unconventional Potential

## Shale Play Building Momentum

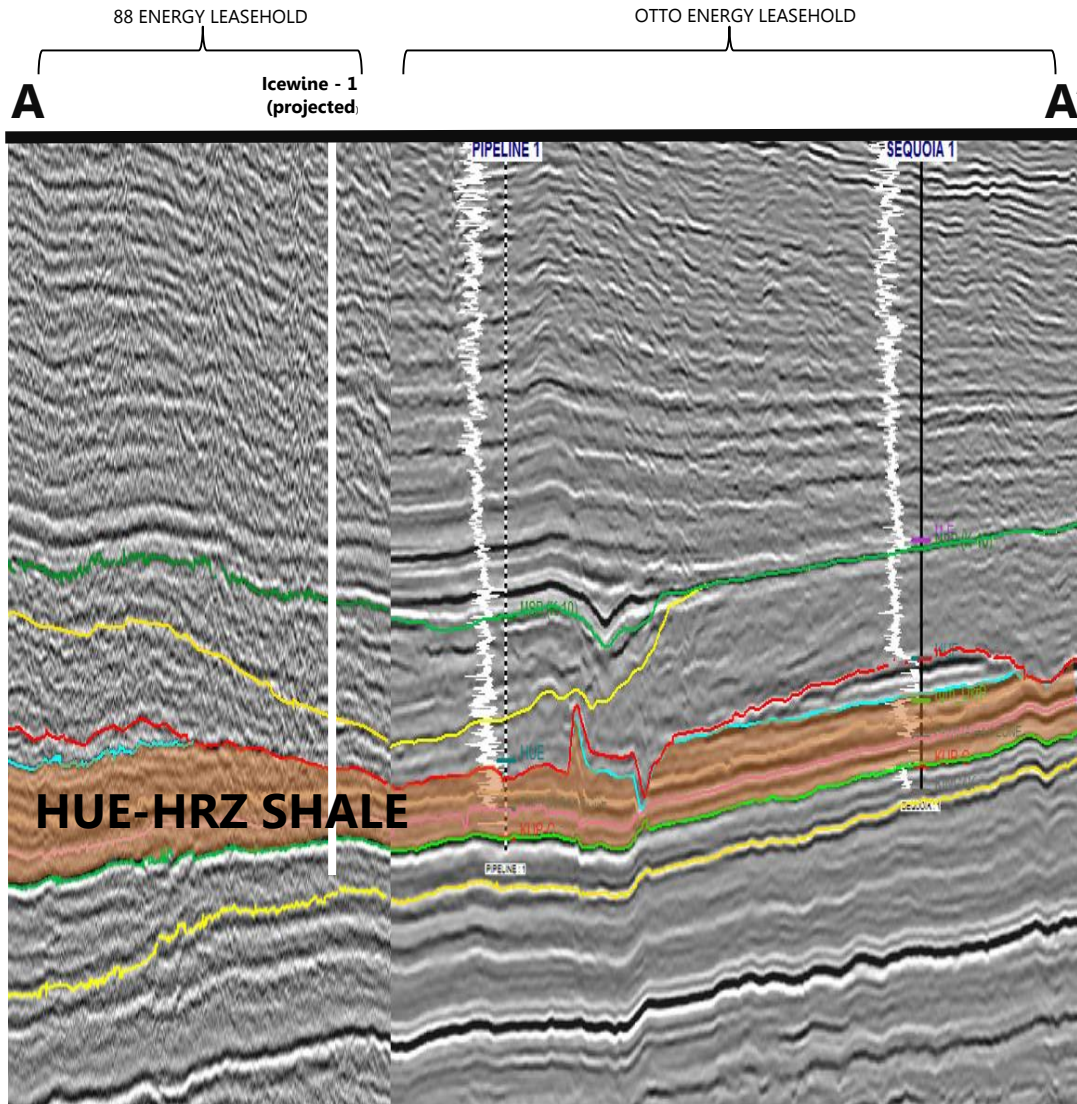
- ◆ Large recoverable volume potential
- ◆ Emerging play type
- ◆ Increasing interest in Alaskan North Slope

# Hue-HRZ Unconventional Potential

Otto Energy in optimal location for potential major shale play

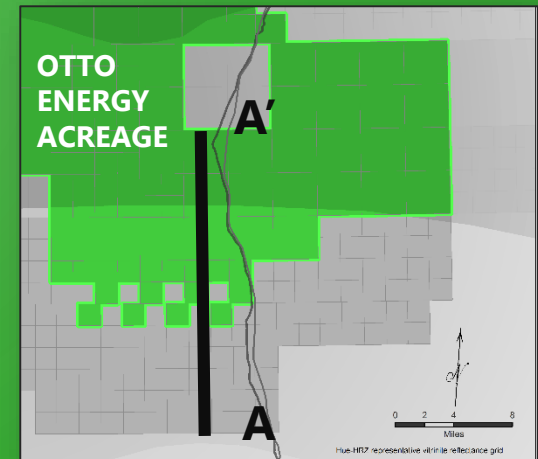


# Unconventional Potential



## Maturity Established

- ◆ Otto Energy acreage contains a significant proportion of the wet gas-mature Hue-HRZ shale fairway, the optimal region for unconventional oil recovery.
- ◆ Hue-HRZ shale target can be reached with relatively shallow ~8,000' wells from Otto Energy acreage.



Line location

# Conventional Potential

## Expanding On Multi-Billion Barrel Production Next Door

- ◆ 3D seismic used to develop material new opportunities
- ◆ Lead portfolio to be high-graded for early 2017 drilling

# Ideally located to test conventional plays

## Leads identified on present 3D

- ◆ Kuparuk C - Talitha target, oil filled at Pipeline State-1
- ◆ K10 interval – Funnel area, low stand, accommodation space highlighted by 3D
- ◆ Extensive structural traps within Toe Thrust system
- ◆ Brookian oil saturated sand system adjacent to Pipeline State-1



3D seismic  
used to  
target  
reservoir  
sweet spots

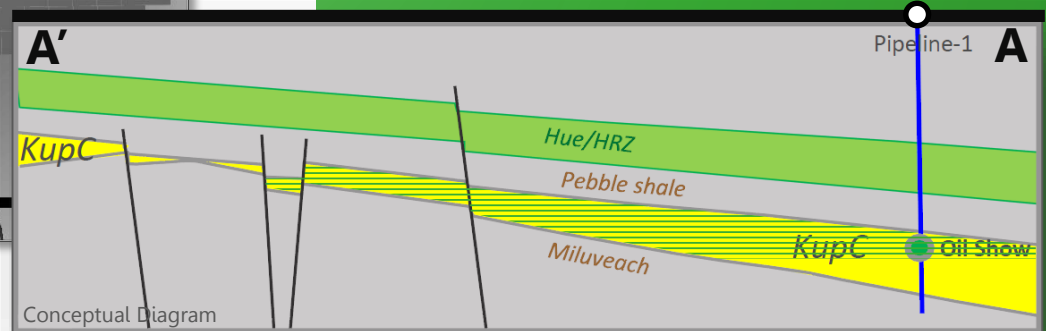
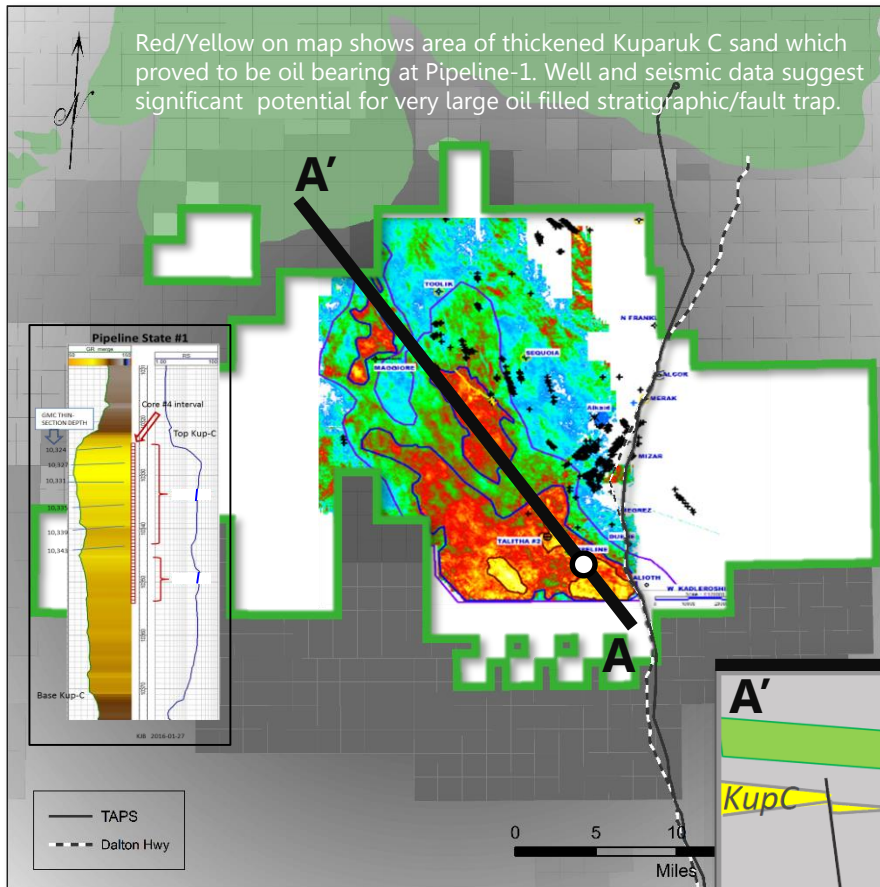
## Additional plays developing – target of new 3D

- ◆ Brookian slope apron fan system on trend with Tarn and Meltwater discoveries
- ◆ Possible basin floor fan complex in eastern portion of acreage

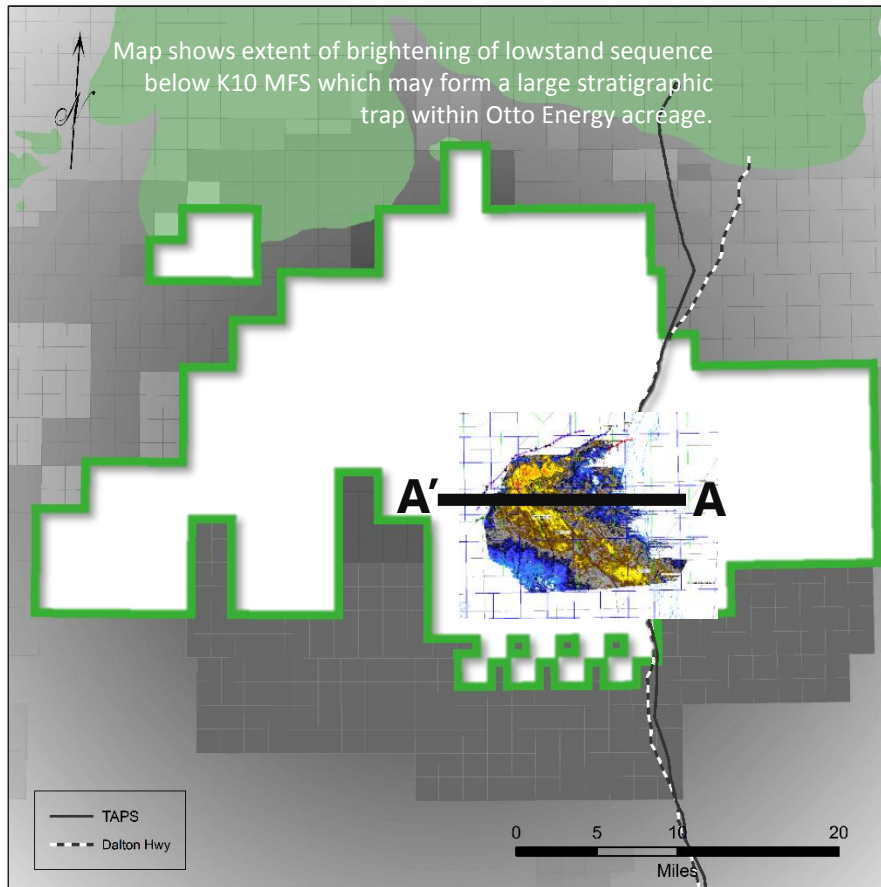
# Conventional Opportunity: Kuparuk C Play

## Large oil filled trap

- ◆ Recent 3D seismic reveals large trap potential
- ◆ Light oil has been intersected in 45' thick Kuparuk C sands on Otto Energy acreage at Pipeline-1
- ◆ Sand thickness variations observed in regional wells together with seismic isopach data strongly suggests the presence of a large oil-filled stratigraphic trap

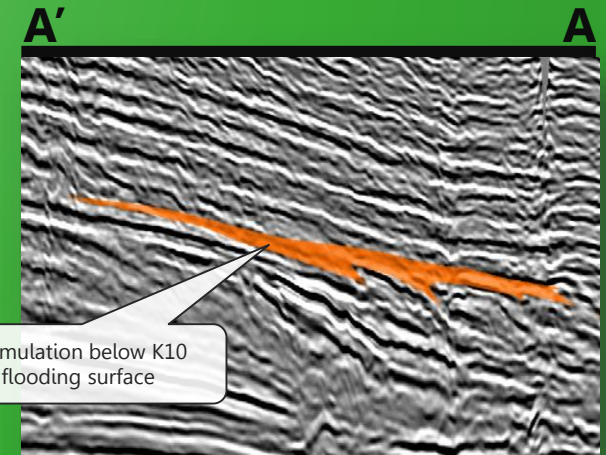


# Conventional Opportunity: Funnel Area K10 Play



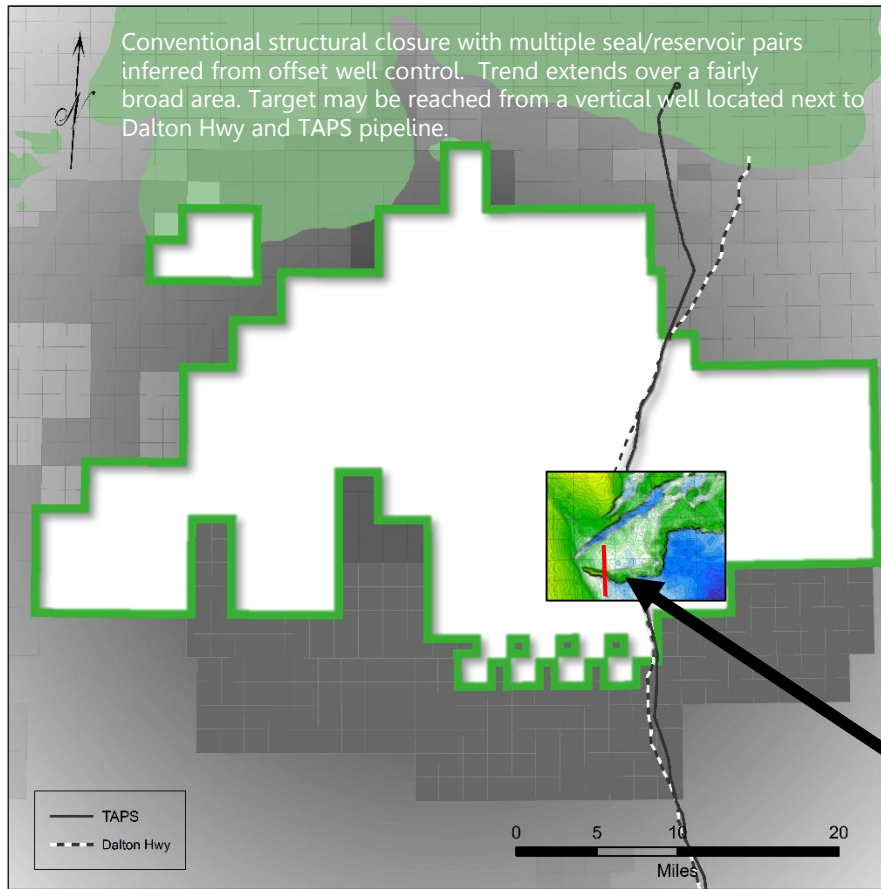
## New conventional play identified on 3D seismic

- ◆ Yet to be tested
- ◆ Local thickening of sands offers potential for previously unrecognized reservoir
- ◆ Centred within acreage & proximal to Trans-Alaska Pipeline System



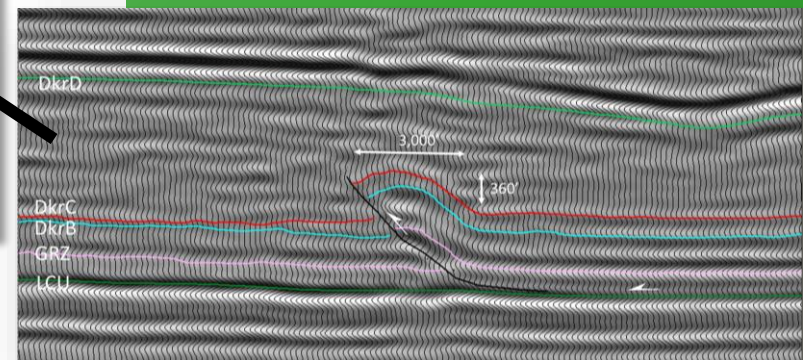


# Conventional Opportunity: Structural closure - Toe Thrust Anticline

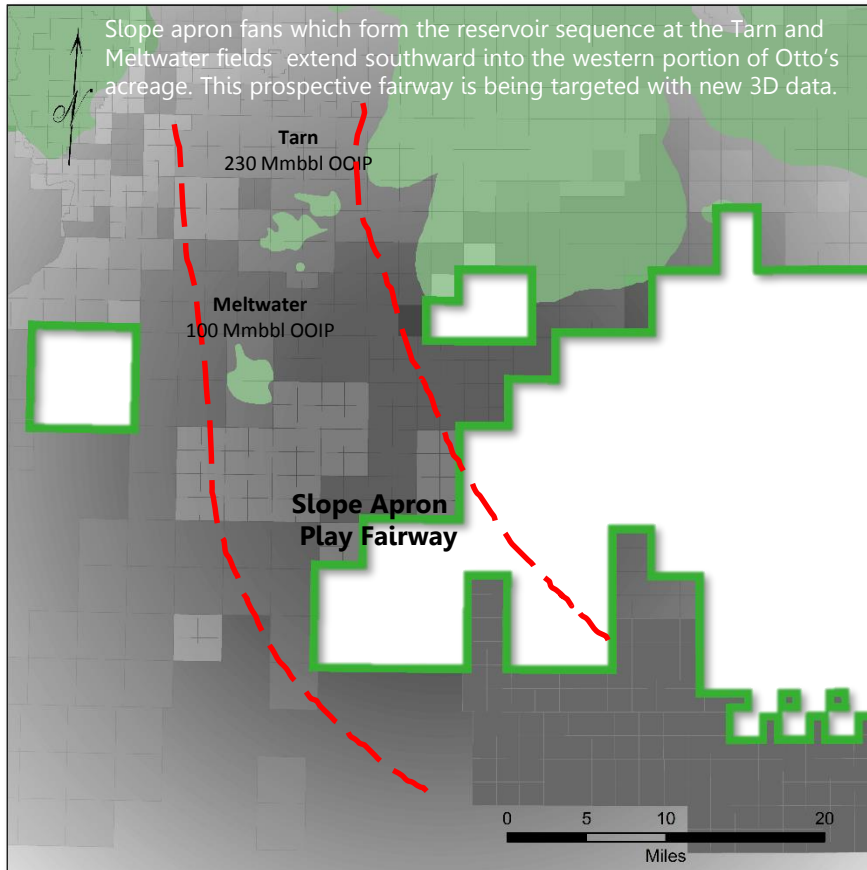


## New conventional play identified on 3D seismic – yet to be tested

- ◆ Well imaged Anticlinal Toe Thrust
- ◆ Extends across broad area
- ◆ Optimal location to receive oil charge from mature Hue Shale kitchen to south east
- ◆ Common successful trap style

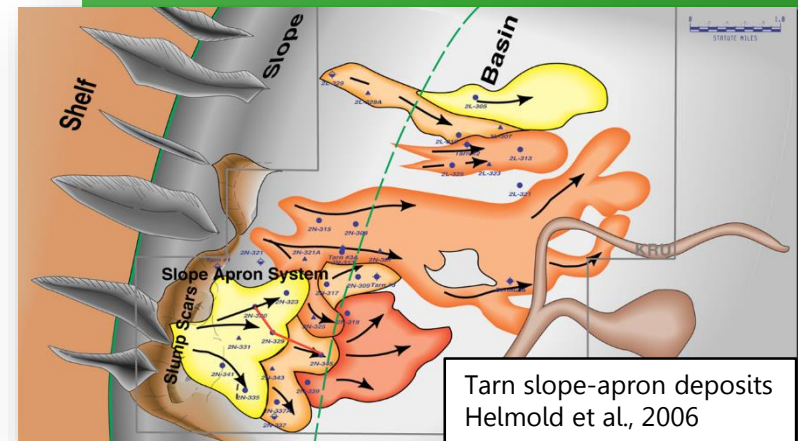


# Conventional Opportunity: Brookian Slope Apron Fan Play

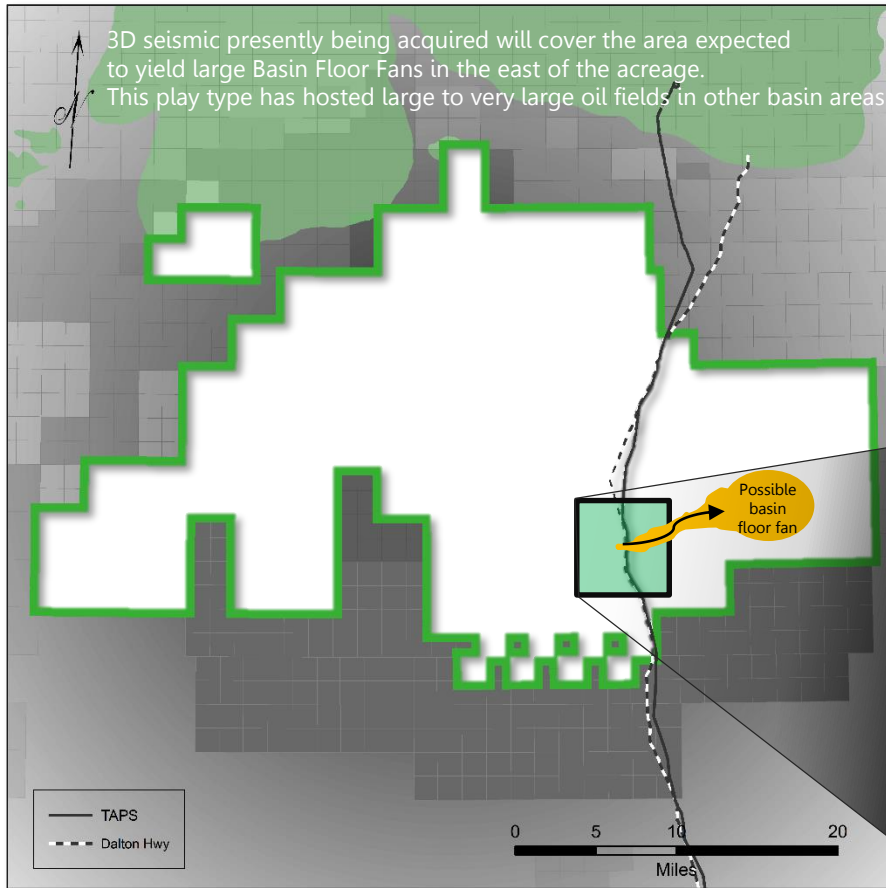


## Reservoir system of prograding sands

- ◆ Western acreage on trend with Bermuda sand reservoir fairway
- ◆ Play type already in production at the Tarn and Meltwater Fields
- ◆ New 3D seismic targeted to mature this play style

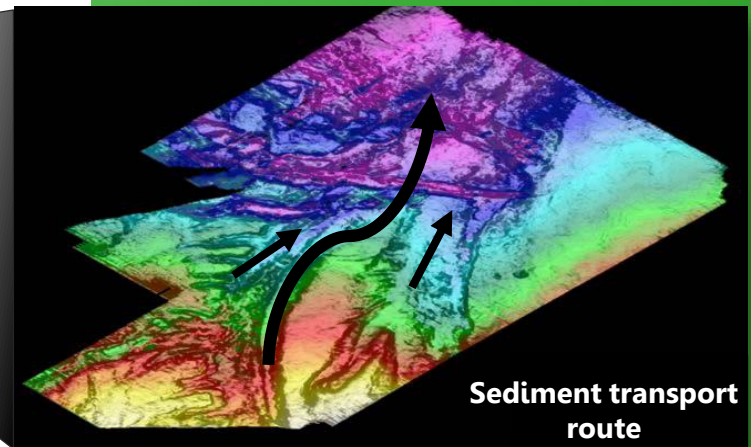


# Conventional Opportunity: Basin Floor Fan Play



## Basin floor fan complex predicted in east of acreage

- ◆ Geological setting and basin geometry suggest that large basin floor fans may be present in eastern part of acreage
- ◆ New 3D seismic targeted to mature this play type

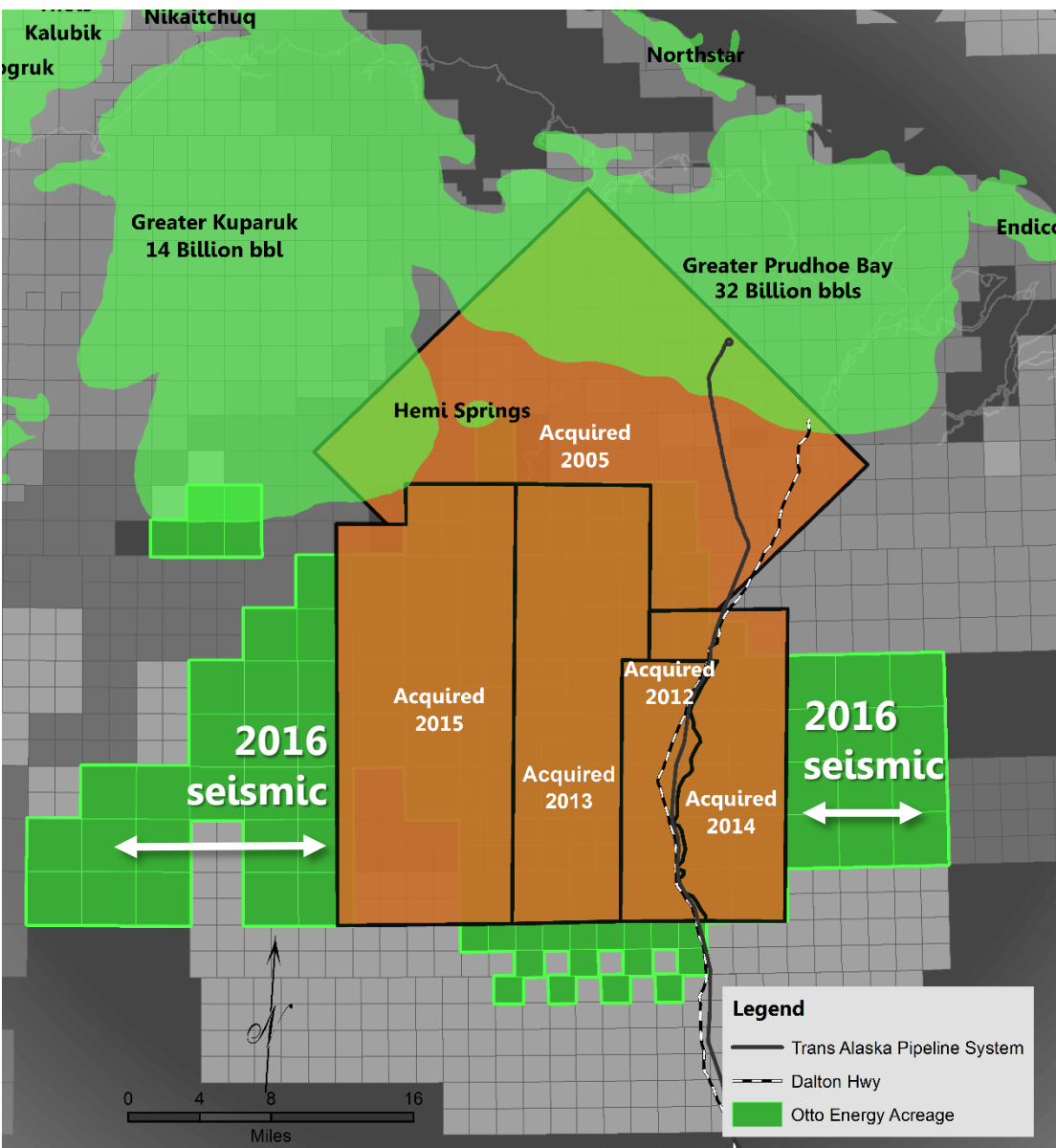


New 3D reveals funnel geometry which channels sediment to the east

# Future Activity

**Significant multi-well drilling  
program in early 2017**

# 3D Seismic Data



## 2016 Seismic acquisition campaign underway

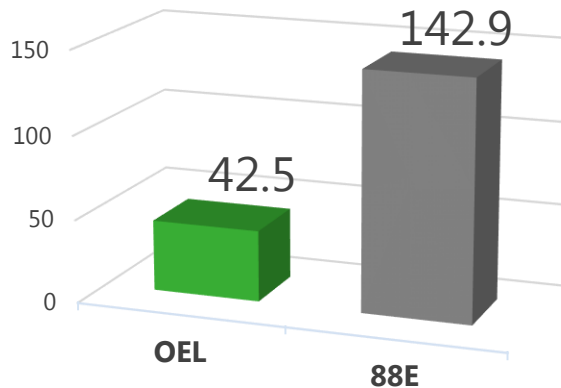
- ◆ Acquisition already 90% complete
- ◆ Otto fully carried on all 3D expenditure
- ◆ All 3D vintages to be seamlessly merged into one mega project

### Acreage wide 3D required to:

1. Identify subtle stratigraphic targets as Repsol have successfully done to the north
2. Allow accurate placement of appraisal and development wells

# Peer Comparison

**Market Cap  
(\$ Million AUD)<sup>1</sup>**



**OEL current share price undervalued compared to peers in same acreage/plays**

## Peer company comparison

### 88 Energy

- ◆ Pure play - Alaskan North Slope
- ◆ 2D seismic
- ◆ 3 wells on acreage
- ◆ Unconventional primary target
- ◆ 2016-2017: 1 horizontal well

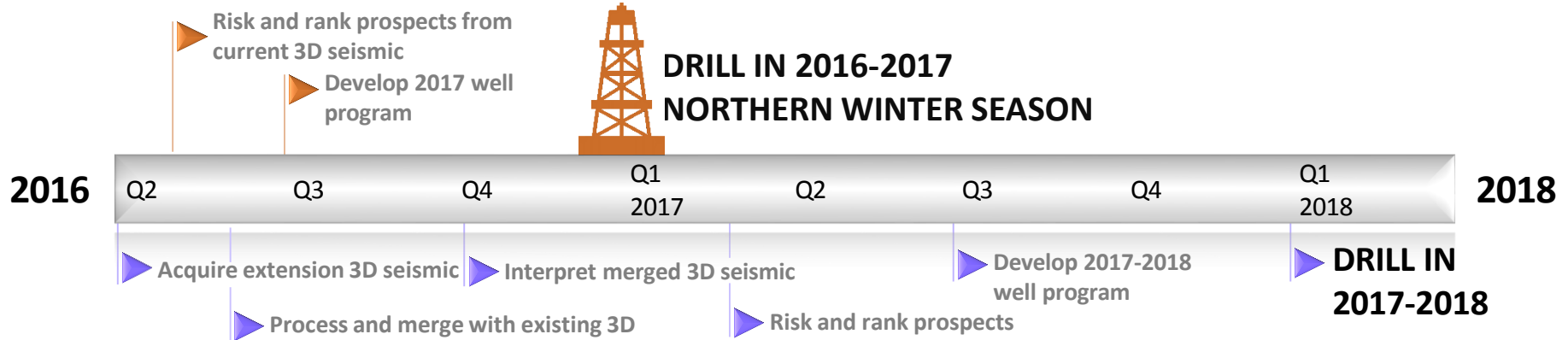
### Otto Energy

- ◆ Alaskan, Gulf of Mexico, and Tanzanian diversified acreage
- ◆ 3D seismic in Alaska and Gulf of Mexico, 2D seismic in Tanzania
- ◆ 12 wells on Alaskan acreage, extensive offset well database
- ◆ Multiple conventional and unconventional targets
- ◆ 2016-2017: 3 wells in GOM, 1 well in Tanzania, 2-4 wells in Alaska
- ◆ Recent discovery at GOM well SMI-71
- ◆ Fully funded work program

<sup>1</sup> Market capitalisation as at 26/04/2016

# Future Activity

Multi-well program supported by extensive 3D seismic coverage



- ◆ Focused strategy to drill 2-4 wells in 2016-2017 season
- ◆ Operator working to secure long lead items and rig
- ◆ Obtain dedicated rig to drill primary wells and have option to test with a separate unit

# Material multi-well drilling campaign commencing 1H 2017

## Otto ideally positioned to test emerging new conventional and unconventional potential of Alaskan North Slope:

- ◆ Acreage adjacent to largest oil fields in continental USA
- ◆ High quality 3D seismic covering entire acreage position important to leverage exploration campaign
- ◆ Unconventional potential being de-risked by drilling immediately to the south of Otto's acreage position
- ◆ Multiple wells on-block have already intersected significant hydrocarbon shows

Potential to be a game-changing investment for Otto shareholders

## 2017 multi-well drilling program to test multiple conventional plays:

- ◆ Focus is on targeting the best play types that are commercial in sustained low oil price environments
- ◆ Multi-well campaign designed to test for and determine productivity of multiple conventional play types
- ◆ This will be the start of a multi-year campaign across the entire acreage position as new play types are unveiled from 3D seismic currently being acquired



# Additional Information

## **Otto Energy Ltd**

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**[info@ottoenergy.com](mailto:info@ottoenergy.com)**

# Robust Capital Structure



## Capital Structure

Fully paid ordinary shares	1.181b
Unlisted options <sup>1</sup>	8.0m
Performance Rights	14.7m
Market capitalisation <sup>2</sup>	A\$35m
Cash (Mar 2016)	US\$27m
Debt (Mar 2016)	US\$0m

## Shareholders

Molton Holdings	20.5%
Santo Holdings	20.5%
Directors & Management	2.2%
Shareholders	4,246

12 Month Turnover = 63.66% of issued capital  
Average daily volume last 12 months = 2.912 million shares/day

1. Exercisable at 5.49 cents per share.
2. Undiluted at 3.0 cents per share as at 13 April 2016

# Experienced Board & Management Team

## Board of Directors



**John Jetter – Non-Executive Chairman.**  
**LLB, BEc INSEAD**  
Former MD/CEO J.P. Morgan Germany.  
Non-Executive Director of Venture  
Minerals and Peak Resources Ltd.



**Ian Boserio – Non-Executive Director.**  
**BSc (Hons)**  
Executive Technical Director of Pathfinder  
Energy Pty Ltd. Former executive positions  
with Shell & Woodside in exploration  
roles.



**Ian Macliver – Non-Executive Director.**  
**BComm, FCA, SF Fin, FAICD**  
Managing Director Grange Consulting.  
Non-Executive Chairman of Western  
Areas.

## Senior Management



**Matthew Allen – Managing Director & CEO.**  
**BBus, FCA, FFin, GAICD**  
Global exposure to the upstream oil and gas industry with  
over 15 years experience in Asia, Africa, Australia and Middle  
East. Previous senior roles with Woodside over 9 year period.



**Paul Senycia – Vice President, Exploration and New  
Ventures. BSc (Hons), MAppSc**  
International oil & gas experience gained over 30 years.  
Specific focus on Australia, South East Asia & Africa. Previous  
roles at Oilex (Exploration Manager), Woodside Energy (Head  
of Evaluation) and Shell International.



**Craig Hasson – Chief Financial Officer. BCom, CA, AGIA**  
Chartered Accountant with over 12 years experience in  
resources in Australia, Europe and Africa. Previous roles at  
Cairn Energy, Dragon Mining, Resolute Mining and Ernst &  
Young.



**Matthew Worner – Commercial Manager. BBus LLB**  
Commercial lawyer with experience in international oil and  
gas venture acquisitions, government and JV liaison and  
commercial transaction across Africa, Australia and Asia.  
Previous roles at Pura Vida, Rialto, Tap Oil, Steinepreis  
Paganin and Phillips Fox.

# Disclaimer

This presentation does not constitute an offer to sell securities and is not a solicitation of an offer to buy securities. It is not to be distributed to third parties without the consent of Otto Energy Limited (the "Company").

This presentation contains forward looking statements that are subject to risk factors associated with oil and gas businesses. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.

The Company, its directors, officers and employees make no representation, warranty (express or implied), or assurance as to the completeness or accuracy of forward looking statements.

The reserve and contingent resource information in this report in relation to Tanzania is based on information compiled by Mr Paul Senyica 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 Senyica is a full time 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 reserve and contingent resource information in this report in relation to SMI-6/SMI70/71 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.

The reserve and contingent resource information in this report in relation to Bivouac Peak is based on information compiled by Mr William Sack (BSc. Earth Sci./Physics, MSc. Geology, MBA), an Executive Director of Byron Energy Limited. Mr William Sack is a member of American Association of Petroleum Geologists. 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 release are based on, and fairly represents, information and supporting documentation prepared by, or under the supervision of, Mr Sack. Mr Sack 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 Resource Cautionary Statement**

The estimated quantities of petroleum that may potentially be recoverable by the application of a future development project(s) 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.

## **Prospective Resources**

Prospective resource estimates in this presentation are prepared as at 11 December 2013 (reference: ASX announcement 11 December 2013) and as at 30 June 2015 (reference: Byron Energy Limited ASX announcement 4 September 2015). 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](http://www.spe.org). The estimates are unrisks 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.