

# Quarterly REPORT



THREE MONTHS ENDED 31 MARCH 2016

## QUARTERLY HIGHLIGHTS

### Corporate:

- Closing cash balance of US\$26.73m.

### Exploration:

- Louisiana/Gulf of Mexico – South Marsh Island – 6 (SM-6 #2) appraisal well was temporarily plugged and abandoned prior to reaching the primary target due to intersecting an impenetrable shale interval.
- Louisiana/Gulf of Mexico – South Marsh Island – 71 (SM-71 #1) option exercised to drill one well in SMI-71 with drilling to be completed in April 2016.
- Tanzania – Farm-down activities ongoing. Operator has continued preparations to drill the Kito-1 exploration well in Q3 2016.
- Alaska – commenced acquisition of 1,170 km<sup>2</sup> of new 3D seismic. Prospect and lead inventory being progressed with Operator.

## THREE-MONTH OUTLOOK

- Louisiana/Gulf of Mexico – results from drilling of the SM-71 #1 well announced on 20 April 2016, with the intersection of hydrocarbons at three separate sand intervals. Logging operations are continuing.
- Tanzania – Complete farm-out campaign for Kilosa-Kilombero licence ahead of drilling commencing in Q3 2016.
- Alaska – Complete acquisition of 1,170 km<sup>2</sup> new 3D seismic over remaining acreage area (at no cost to Otto). Develop prospect and lead inventory for drilling in early 2017.



## APPRAISAL/DEVELOPMENT

### LOUISIANA/GULF OF MEXICO – SOUTH MARSH ISLAND 6

<b>Location:</b>	Offshore Gulf of Mexico
<b>Area:</b>	20.23 km <sup>2</sup>
<b>Otto's Interest:</b>	50.00% - Earning via staged farm-in with Byron Energy Ltd (Operator)

During the Quarter, the SM-6 #2 well located at the South Marsh Island Block 6 was drilled to a depth of 8,084 feet (2,464 metres) Measured Depth and after intersecting what appeared to be an impenetrable shale interval, was plugged and abandoned. Unsuccessful attempts were made to free a stuck drill pipe in the initial well bore and a resulting bypass (side-track) operation became likewise stuck on 23 March 2016. After an extensive review of both stuck drill pipe incidents, it was the conclusion of both Byron and Otto that the well would be unable to be deepened to the primary target in the G20 sand interval, approximately 320 feet (100 metres) below the current depth of the well.

As the well did not reach the primary target of the G20 sand interval, Otto is not required to reimburse Byron for past costs and Otto will not, subject to its option to participate in a SM-6 substitute well at a later date, earn an interest in the SM-6 lease.

The well has been drilled at a cost below the gross pre-drill cost estimate of US\$8.0m and Otto's funding will not exceed the US\$5.3m outlined in prior announcements. Otto's share of costs to subsequently plug and abandon the SM-6 #2 well are expected to be approximately US\$100,000.

## APPRAISAL/DEVELOPMENT (CONTINUED)

### LOUISIANA/GULF OF MEXICO – SOUTH MARSH ISLAND 70/71

**Location:** Offshore Gulf of Mexico  
**Area:** 34.29 km<sup>2</sup>  
**Otto's Interest:** 50.00% - Earning via staged farm-in with Byron Energy Ltd (Operator)

Following the drilling of SM-6 #2, Otto exercised its option to participate in the drilling of one well in SM-70/71, which lies to the south of SM-6 in a water depth of 131 feet. The SM-70/71 licences are approximately 50 kilometres south of the SM-6 licence. Whilst the SM-6 #2 and the SM-71 #1 wells both target salt dome related features which have seen prolific oil and gas production, they are geologically and geographically distinct.

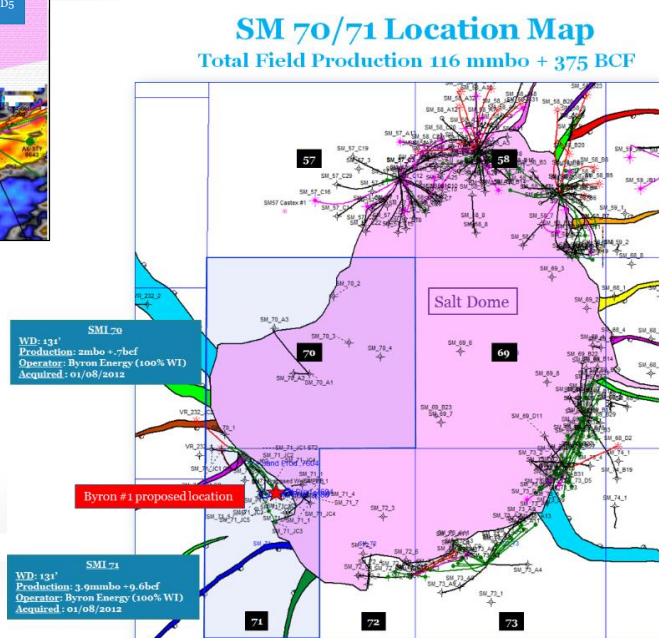
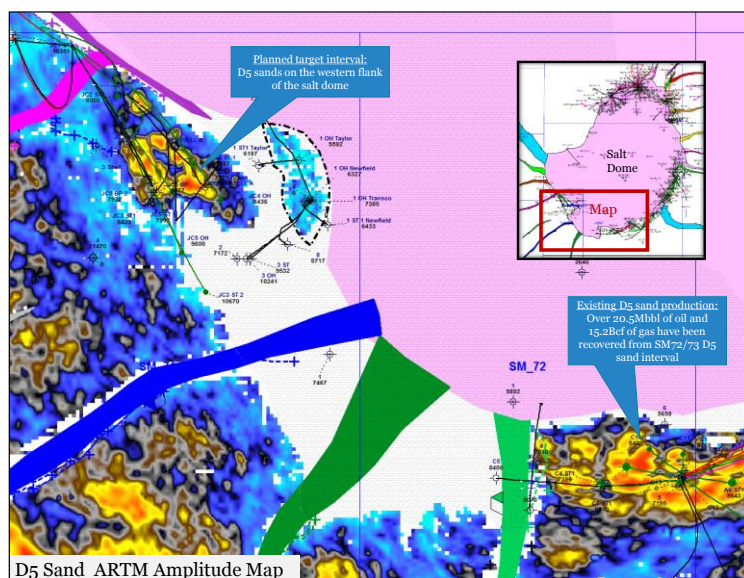
Combined production from the licences totals 5.9MMbbl and 16Bcf of gas.

Through the drilling of the of the SM-71 #1 Well which was spudded post the Quarter on 3 April 2016, Otto has earned a 50% participating interest (equal to a 40.625% revenue interest) in the licences with the following net reserves and resource interests:

- Oil Mbbbl (1P-2P-3P)- (249 – 343 - 520) and a prospective resource of Oil 2,277 Mbbbl
- Gas Mscf (1P-2P-3P)- (135 - 186 - 323) and a prospective resource of Gas 1,680 Mscf

SM-71 #1 intersected three separate hydrocarbon bearing sand intervals with a combined gross sand thickness of approximately 150 feet (45 metres).

The total well cost is expected to be US\$4.5 million and Otto will pay 66.67% of these costs (US\$3 million). Any costs above this amount in respect of the SM-71 well and all future expenditure on the license will be in accordance with Otto and Byron's participating interest (Otto 50%). In addition, Otto will contribute to back-costs of US\$0.9m.



## EXPLORATION ASSETS

### ALASKA

**Location:** Onshore North Slope Alaska  
**Area:** 2,259 km<sup>2</sup>  
**Otto's Interest:** 8%-10.8% – Operator Great Bear Petroleum Operating

In August 2015, Otto acquired the right to earn an interest in a substantial acreage position on the highly prospective, oil prone, onshore Alaskan North Slope held by Great Bear Petroleum Operating ("Great Bear").

Through its agreements with Great Bear, Otto acquired between an 8% and 10.8% working interest (equivalent to 58,334 net acres) in two areas of Alaskan North Slope exploration acreage held by Great Bear.

Great Bear is a private exploration company focused exclusively on exploring and developing conventional and unconventional resources on the North Slope of Alaska.

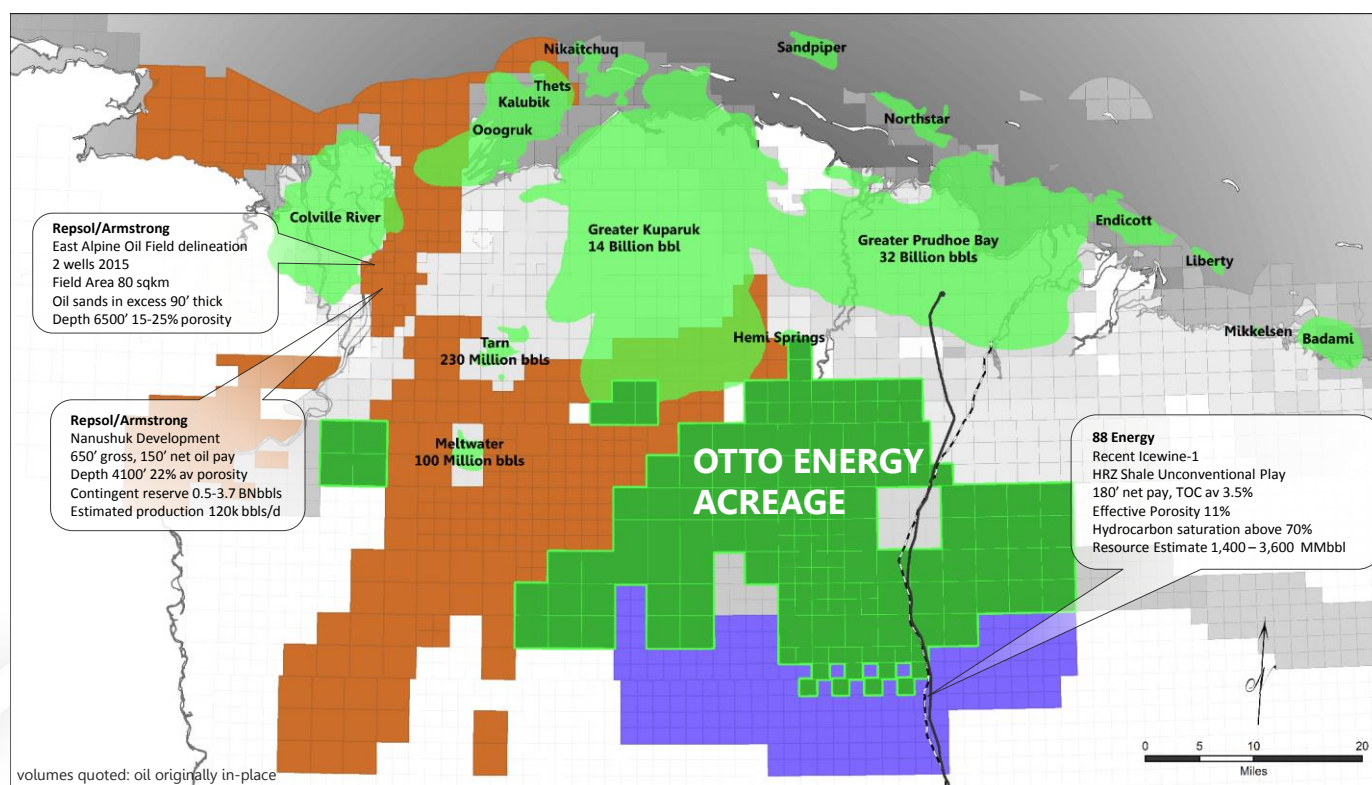
Great Bear is the dominant exploration acreage holder in this highly prospective basin; holding 579,374 gross acres in a major play fairway south of the Prudhoe Bay and Kuparuk giant oil fields. Great Bear has undertaken significant exploration work on the acreage since 2011 with a cumulative spend in excess of US\$200 million, supported by generous tax rebates from the State of Alaska.

The work conducted by Great Bear includes:

- Acquisition and processing of approximately 1,800 km<sup>2</sup> of 3D seismic data.
- Drilling of two unconventional stratigraphic test wells which cored three primary unconventional targets. Results from these wells indicate that the majority of the Great Bear acreage is expected to be liquids rich. These wells also encountered light oil in various conventional formations.
- Drilling of a conventional exploration well (Alkaid-1) which specifically targeted a 3D defined Brookian reservoir. The Alkaid well results are under evaluation.

The extensive, modern 3D seismic coverage, existing well control and proximity to the all-weather Dalton Highway and Trans-Alaskan Pipeline System (TAPS) means that the acreage is well positioned for exploration.

During the Quarter Great Bear commenced the acquisition of 1,170 km<sup>2</sup> of new 3D seismic over the remainder of the acreage.





## EXPLORATION ASSETS (CONTINUED)

### KILOSA-KILOMBERO AND PANGANI

**Location:** Onshore, Tanzania  
**Area:** ~34,000 km<sup>2</sup>  
**Otto's Interest:** 50% - Operator Swala Oil and Gas (Tanzania) Plc

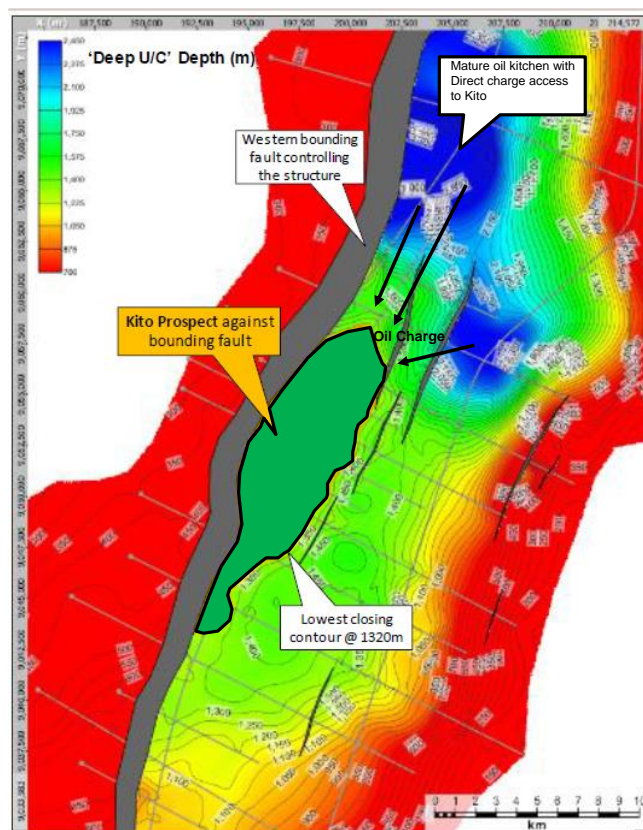
#### *Kilosa-Kilombero Permit*

A total of 440 km of 2D seismic were acquired over the Kilombero basin in 2013 and 2014. Results suggest the presence of a Neogene-age basin with a maximum depth to basement in excess of 3,000m. The age of the sediments recorded (based on low seismic velocities) appears to be similar to that of sediments observed in the now proven oil basins of Lokichar (Kenya) and Lake Albert (Uganda), where Africa Oil (TSX.V:AOI) and Tullow Oil (LSE: TLE) have had significant success.

Dip lines across the basin suggest the presence of both structural traps and traps against the main basin-bounding fault, with possible Direct Hydrocarbon Indicators (DHIs or 'Flat Spots') observed at several levels at the crest.

The joint venture is preparing to undertake drilling of the Kito-1 exploration well in late Q3 2016 targeting a Miocene aged basin bounding fault structure proximal to the prognosed basin source kitchen. The Kito structure has been estimated to contain a gross prospective unrisked resource of between 55 and 547 MMbbl with a best estimate of 184 MMbbl.

Contracting of the required equipment to undertake the drilling operations has commenced and the well is expected to take approximately one month.



#### *Pangani Permit*

A thorough technical analysis of the new data showed no structures of commercial interest and the Joint Venture has applied to relinquish the licence.

**CORPORATE****CASH OUTFLOWS**

Otto's free cash reserve at the end of the quarter was US\$26.73 million (Dec: US\$33.56 million).

Historic and expected cash outflows in the coming quarter are shown below:

	<b>Jun 16 Qtr US\$m Forecast</b>	<b>Mar 16 Qtr US\$m Actual</b>	<b>Dec 15 Qtr US\$m Actual</b>	<b>Sep 15 Qtr US\$m Actual</b>
Philippines				
SC 55	-	-	(0.77)	18.50
SC 73	-	-	-	0.01
Louisiana/Gulf of Mexico	3.90	5.48	-	-
Tanzania	2.46	0.16	0.15	0.41
Alaska	0.15	0.30	-	13.79
Administration	0.90	0.95	1.21	1.33
<b>Total</b>	<b>7.41</b>	<b>6.89</b>	<b>0.59</b>	<b>34.04</b>

**CORPORATE (CONTINUED)****SHAREHOLDERS**

Otto's issued capital as at 31 March 2016:

	Number
Fully paid ordinary shares	1,181,908,323
Unlisted Options <sup>1</sup>	8,000,000
Performance Rights	14,674,998

<sup>1</sup> Exercisable at 5.49 per share with expiration date of December 2016.

Otto's Top 20 Holders as at 4 April 2016:

**TOP 20 SHAREHOLDERS AS AT 4 APRIL 2016**

Rank	Name	Units	% of Units
1	SANTO HOLDING AG	241,910,757	20.47%
2	MOLTON HOLDINGS LIMITED	241,910,757	20.47%
3	CITICORP NOMINEES PTY LIMITED	43,588,825	3.69%
4	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	31,790,958	2.69%
5	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	22,935,061	1.94%
6	RICK CRABB (CONSOLIDATED RELEVANT INTEREST)	17,795,052	1.51%
7	JOHN JETTER (CONSOLIDATED RELEVANT INTEREST)	16,089,175	1.36%
8	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD <CLIENT ACCOUNT>	14,020,833	1.19%
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	10,984,781	0.93%
10	MR BRIAN LESLEIGH WILLIAMS & MRS VALERIE RUBY DAWN WILLIAMS <WILLIAMS S/F A/C>	10,700,000	0.91%
11	SPHINX HOLDINGS LTD	10,239,085	0.87%
12	ESCOT FINANCE LTD	8,150,000	0.69%
13	FORSYTH BARR CUSTODIANS LTD <FORSYTH BARR LTD-NOMINEE A/C>	7,078,411	0.60%
14	NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	5,878,274	0.50%
15	MR TIMOTHY FRANCIS CLIVE MCDONNELL & MRS MILA MCDONNELL <MCDONNELL SUPER FUND A/C>	5,200,000	0.44%
16	IAN MACLIVER (CONSOLIDATED RELEVANT INTEREST)	4,549,721	0.38%
17	TALTY INVESTMENTS PTY LTD	4,000,000	0.34%
18	TATTERSFIELD SECURITIES LIMITED	3,999,538	0.34%
19	MR CRAIG GRANT RADFORD & MRS SARAH JANE RADFORD	3,787,504	0.32%
20	MATTHEW GERARD ALLEN (CONSOLIDATED RELEVANT INTEREST)	3,643,000	0.31%
<b>TOTAL TOP 20 SHAREHOLDERS</b>		<b>708,251,732</b>	<b>59.92%</b>
TOTAL REMAINING SHAREHOLDERS		473,656,591	40.08%
<b>TOTAL SHARES ON ISSUE</b>		<b>1,181,908,323</b>	<b>100.0%</b>

## OTTO AT A GLANCE

- ASX-listed oil and gas company with a strategy to grow an integrated petroleum business through high impact exploration
- Otto has used its strong balance sheet to position for an active high-impact drilling program across three quality projects in 2016/17
- Diversified portfolio in high impact regions, focused on conventional plays in proven petroleum provinces
- Drilling 6+ wells in 2016/17 including high chance of success wells adjacent to proven production in North America, with second well to spud this quarter
- Strong cash position

## DIRECTORS

### Chairman:

John Jetter

### Non-Executive Directors:

Ian Boserio

Ian MacIver

## OFFICERS AND KEY MANAGEMENT

### Managing Director & CEO:

Matthew Allen

### Chief Financial Officer:

Craig Hasson

### Company Secretary:

Neil Hackett

### Vice President, Exploration and New Ventures:

Paul Senyica

### Commercial Manager:

Matthew Worner

## CONTACTS

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## MEDIA

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## Definitions

- (1) "\$m" means USD millions of dollars
- (2) "bbl" means barrel
- (3) "bbls" means barrels

### Persons compiling information about hydrocarbons

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.

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.

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.



## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

Otto Energy Ltd

ABN

56 107 555 046

Quarter ended ("current quarter")

31 March 2016

### Consolidated statement of cash flows

		Current quarter \$US'000	Year to date (9 months) \$US'000
<b>Cash flows related to operating activities</b>			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for		
	(a) exploration & evaluation	(5,946)	(24,238)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(948)	(3,598)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	30	52
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	(2)
1.7	Other*	5	26,989
	<b>Net Operating Cash Flows</b>	<b>(6,859)</b>	<b>(797)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of:		
	(a) prospects	-	(13,676)
	(b) equity investments	-	-
	(c) other fixed assets	-	(6)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) fixed assets	-	8
	(c) subsidiary (net)	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	<b>Net investing cash flows</b>	<b>-</b>	<b>(13,674)</b>

+ See chapter 19 for defined terms.

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(6,859)	(14,471)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other* (provide details if material)	-	-
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	(6,859)	(14,471)
1.20	Cash at beginning of quarter/year to date	33,566	41,206
1.21	Exchange rate adjustments to item 1.20	22	(6)
1.22	<b>Cash at end of quarter</b>	<b>26,729</b>	<b>26,729</b>

\* Includes US\$23.7 million received from BHPB for funding of Hawkeye-1 Exploration well and net farm-in option payment of US\$2.3 million received from Pryce Gases Inc.

### Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter \$US'000
1.23	Aggregate amount of payments to the parties included in item 1.2	136
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
	Directors fees including superannuation where applicable	
	<u>\$US'000</u>	
	Executive Director 85	
	Non-Executive Directors 51	
	Total 136	

### Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

+ See chapter 19 for defined terms.

### **Financing facilities available**

*Add notes as necessary for an understanding of the position.*

	Amount available \$US'000	Amount used \$US'000
3.1    Loan facilities	-	-
3.2    Credit standby arrangements	-	-

### **Estimated cash outflows for next quarter**

	\$US'000
4.1    Exploration and evaluation	6,506
4.2    Development	-
4.3    Production	-
4.4    Administration	900
<b>Total</b>	<b>7,406</b>

### **Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$US'000	Previous quarter \$US'000
5.1    Cash on hand and at bank	26,729	33,566
5.2    Deposits at call	-	-
5.3    Bank overdraft	-	-
5.4    Other (Term Deposit)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>26,729</b>	<b>33,566</b>

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+ See chapter 19 for defined terms.

**Changes in interests in mining tenements and petroleum tenements**

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	SC55, Philippines	78.18%	68.18%
6.2	Interests in mining tenements and petroleum tenements acquired or increased	N/A		

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+ See chapter 19 for defined terms.



### Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	<b>Preference securities</b> (description)	Nil	Nil		
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	Nil	Nil		
7.3	<b>*Ordinary securities</b>	1,181,908,323	1,181,908,323		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	100,002 Nil	100,002 Nil	Nil	Nil
7.5	<b>*Convertible debt securities</b> (description)	Nil	Nil		
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	Nil	Nil		
7.7	<b>Options</b> (description and conversion factor)	8,000,000 Unlisted Options	Nil	8,000,000 Exercise Price \$0.0549	On or before 2 December 2016
		14,674,998 Unlisted Performance Rights	Nil	6,799,998 Performance Rights	On or before 31 December 2018
				7,875,000 Performance Rights	On or before 31 December 2019

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+ See chapter 19 for defined terms.

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

7.8	Issued during quarter	Nil	Nil	Nil	Nil
7.9	Exercised during quarter	100,002 Performance rights	Nil	100,002 Performance rights	On or before 31 December 2018
7.10	Expired during quarter	Nil	Nil	Nil	Nil
		Nil	Nil	Nil	Nil
7.11	<b>Debentures</b> <i>(totals only)</i>	Nil	Nil		
7.12	<b>Unsecured notes</b> <i>(totals only)</i>	Nil	Nil		

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Matthew Allen  
Managing Director & Chief Executive Officer  
21 April 2016

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+ See chapter 19 for defined terms.

## Notes

- 1        The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2        The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3        **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4        The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5        **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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