

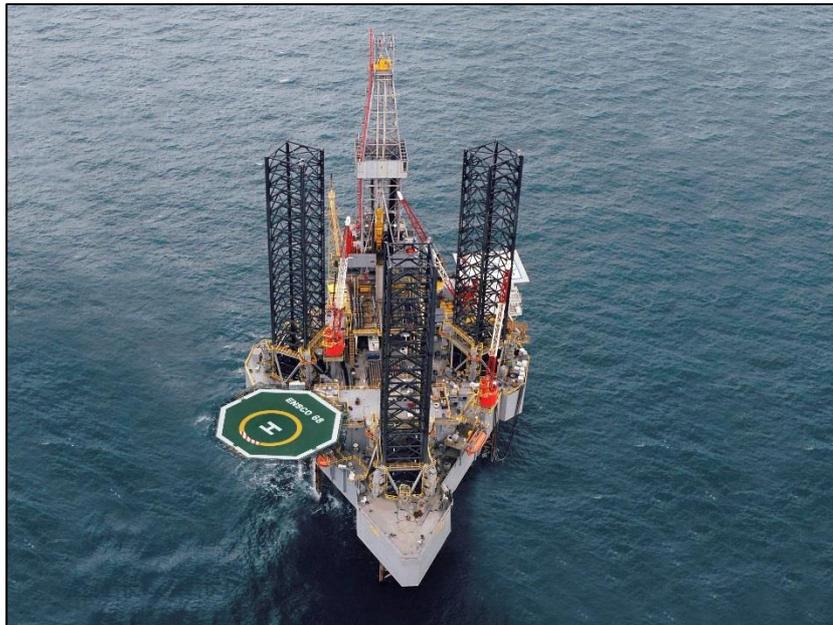
ASX ANNOUNCEMENT

12 September 2017

Rig Contract Executed for SM 71 Drilling Program

- Rig contract signed for drilling at the SM 71 development
- Rig scheduled to be available by the end of November 2017
- Plan is to drill the SM 71 F2 well and then complete the SM 71 F2 and SM 71 F1 wells
- SM 71 remains on track for first production in January 2018
- SM 71 F2 well will test the B65 Sand with potential to double the current field size of SM 71

Otto Energy Ltd (ASX: OEL) (“Otto” or the “Company”) is pleased to advise that a drilling contract has been signed by the operator (Byron Energy Ltd (ASX: BYE)) with Ensco Plc for the Ensco 68 jack-up rig to carry out the South Marsh Island Block 71 (SM 71) drilling and completion program. The Ensco 68 will be available before the end of November 2017 to follow the installation of the tripod production facility on the lease. The 60-day contract will allow the joint venture to drill the SM 71 F2 well and then complete the SM 71 F2 and SM 71 F1 (previously referred to as SM 71 #1) wells.



The Ensco 68 is an independent leg jack-up rig built by Marathon/ Le Tourneau in 1976 and has undergone numerous equipment updates and upgrades since it was placed in to service. Photo courtesy of Ensco Plc.

The SM 71 F2 well has two targets, the B65 Sand and the D5 Sand. The D5 Sand is the primary focus of the development at SM 71 and the SM 71 F2 well will provide a second production location in the D5 Sand reservoir. The initial SM 71 well, the SM 71 #1 (now renamed the SM 71 F1), logged 151 feet (true vertical thickness) of oil pay in four zones and was drilled in 2016. The independent reserve assessment prepared by Collarini Associates (“Collarini”) assigned a total of 2.271 million barrels equivalent net to Otto on a 2P basis*, with the bulk of those reserves coming from the D5 Sand. The D5 Sand has been productive in other parts of the South Marsh Island 73 Field where over 20 million barrels of oil have been produced from multiple D5 Sand completions.

The secondary target of the SM 71 F2 well is the B65 Sand which lies above the D5 Sand and was stratigraphically pinched-out in the SM71 F1 well. Byron’s RTM and inversion processing indicates a positive anomaly at the B65 Sand level that is analogous to known productive reservoirs of the B65 Sand. This well will test the prospective resources attributable to the B65 Sand and provide further calibration for those data sets as exploration progresses in the greater SM 71 area. Collarini assigned 2.375 million barrels equivalent net to Otto to the B65 Sand as Prospective Resources*. The B65 has produced 13 million barrels of oil from four trapping areas around the SM 73 field.

The SM 71 F2 well is currently programmed to a depth of 8,965 feet/2,608 metres measured depth (7,555 feet/2,303m True Vertical Depth) and is expected to take less than 30 days to drill. After drilling the SM 71 F2 well, rig operations will convert to completing the SM 71 F1 and SM 71 F2 wells before the rig is released. Production is expected to start in late January 2018 or approximately 10 days after the rig leaves location upon final hook-up of production equipment

Otto holds a 50% working interest (40.625% net revenue interest) in South Marsh Island Block 71. The operator, Byron, holds the remaining 50% working interest.

Otto’s Managing Director, Matthew Allen said: “Otto is very pleased with progress being made by the Operator at SM 71 , including the securing of the Ensco 68 for the upcoming drilling program. The SM 71 oil development is a pivotal part of Otto’s growth strategy in the Gulf of Mexico. The project is a high margin oil field and expected to deliver between 1,500 and 2,000 bopd per well gross field production when on stream. Delivering first production in the coming months will return Otto to the ranks of producing oil and gas companies and mark the completion of the transition in strategy that has taken place over the past three years.

The next few months are exciting for Otto with exposure to a number of high impact drilling events which each have the potential to significantly increase reserves, value and consequently Otto’s share price.”

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* The reserves and resources referred to in this report were reported on 20 July 2016 (refer to the Company’s ASX announcement dated 20 July 2016).

Persons compiling information about hydrocarbons

The reserve and contingent resource information in this report in relation to SM 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.

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.

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.