ASX ANNOUNCEMENT
26 April 2018

SM 71 UPDATE – PERFORMANCE, PRODUCTION AND REVENUE

- **Total production to date is 83,000 bbls of oil and 55.5 mm cubic feet of natural gas (41,500 bbls and 27.7 mmcf Otto's 50% share)**
- **SM 71 F Platform daily volumes are now averaging 4,650 bopd and 3,200 mcfgpd**
- **Otto's net sales revenue at the current rate of production is approximately USD$125,000 per day based on WTI of US$68 per barrel**
- **These production rates would generate a monthly operating cash flow of approximately US$3.7 million**

Otto Energy Limited (ASX: OEL) ("Otto" or the "Company") is pleased to provide the following update and information on the Company's flagship South Marsh Island Block 71 ("SM 71") oil project.

Production from the SM 71 F platform began from the F1 and F2 wells on 23 and 25 March 2018 respectively. The SM 71 F3 well commenced producing on 6 April 2018. All three wells have been on production since 6 April 2018. From 23 March 2018 to 25 April 2018 (0700 hours US CDT), the three wells have combined to produce a total volume of 83,000 barrels of oil and 55.5 mm cubic feet of natural gas (41,500 bbls and 27.7 mmcf Otto's 50% share).

As previously advised, the pipeline carrying oil to sales from the SM 71 F platform was shut in for maintenance by the pipeline operator, Crimson Gulf, LLC for four days from 19 April 2018.

During the shut-in period several improvements were made to the oil and gas production system on the platform. Most of these improvements were focused on resizing valves to optimize production levels and minimize downtime on the platform. All three wells were returned to production on 22 April 2018 at a combined rate of 4,650 bopd and 3,200 mcfgpd which is over 90% of the platform's throughput capacity. These rates are considered ideal for the current operating conditions and uptime is expected to be 96%. This rate of production also optimises drawdown on each of the wells and should maximise the ultimate long term recovery from the reservoirs. Based on these rates, Otto's daily sales would be approximately 2,325 bopd and 1,600 mcfgpd on a 50% working interest basis (1,890 bopd and 1,300 mcfgpd on a 40.63% NRI basis (after Federal royalties of 18.75%).

Otto's potential net cash flows from current SM 71 production rates is set out in the table below:

All figures USD	At production of 4,650 bopd and 3,200 mcfpd and net prices as detailed below	
	Per day	**Monthly**
Revenue - Oil (WI)	149,730	4,554,288
Revenue – Gas (WI)	3,840	116,800
Government royalties (18.75%)	(28,794)	(875,829)
Net Revenue (NRI)	**124,776**	**3,795,259**
Operating Costs*	(4,110)	(125,000)
Net Cash Operating Profit	**120,666**	**3,670,259**

Based on the high quality Louisiana Light Sweet crude ("LLS") produced at SM 71, Otto is receiving approximately a $2.50 per barrel premium based on current LLS versus West Texas Intermediate ("WTI") price differentials. Otto's realized oil price for March sales after uplift for LLS price differentials and deductions for transportation, oil shrinkage, BS&W, and other applicable adjustments is approximately equal to WTI less $3.60 per bbl. At an average monthly NYMEX WTI price of $68 per bbl, Otto would receive a net price of approximately $64.40 per bbl (before Federal royalties).

With respect to the natural gas produced, processing of sales gas for NGL's is currently resulting in an uplift of approximately $0.09 per mmbtu. As a result, Otto's realized price, after NGL uplift and deductions for transportation and NGL processing, is approximately equal to NYMEX Henry Hub gas less $0.30 per mmbtu. At an average monthly NYMEX Henry Hub price of $2.70 per mmbtu, and an average conversion of ~1,087 btu /1 mcfg delivered to the plant, Otto would realize a price of approximately $2.40 per mmbtu net to Otto for each mmbtu of net sales gas.

Therefore, based on current production rates, a WTI oil price of $68 per bbl and a NYMEX gas price of $2.70 per mmbtu, Otto's net sales revenue (NRI) is estimated to be USD$125,000 per day at gross daily sales volumes of 4,650 bbls per day and 3,200 mmcf per day with the pricing adjustments outlined above. Estimated monthly production costs, on a sustainable basis are currently expected to average approximately USD$125,000 per month (Otto share).

Otto holds a 50% working interest (40.625% net revenue interest) in SM 71 through a wholly owned subsidiary Otto Energy (Louisiana) LLC. The operator, Byron Energy Inc., a wholly owned subsidiary of Byron Energy Limited **(ASX:BYE)**, holds the remaining 50% working interest.

Otto's Managing Director, Matthew Allen, commented: *"The production levels at SM 71 are very pleasing, particularly in the current price environment. With the project value calculated from the expected cash flows from SM 71, Otto's market capitalisation currently represents around two times EBITDA so we see significant upside for investors."*

"The significant cash flow now being generated from SM 71 will fund Otto's strategy of building a pipeline of growth opportunities within the Gulf of Mexico. We will continue to follow a detailed and rigorous due diligence process consistent with our strategy of investing in projects with a relatively high probability of success."

SM 71 F Platform in the Gulf of Mexico.

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Glossary and Conversions
Bbl = barrels
Bopd = barrels of oil per day
Btu -= British Thermal Units
BS&W = Basic Sediment and Water
mcfg = thousand cubic gas
mcfgpd = thousand cubic gas per day
mcf = thousand cubic feet
mmcf = million cubic feet
mmbtu = million British Thermal Units
NGL = Natural gas Liquids, such as ethane, propane and butane
1 mcf = 1,087 btu's currently for SM 71 production; the thermal content of SM 71 gas may vary over time.

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