



ASX : OEL

# PRODUCTION IMMINENT, SIGNIFICANT EXPLORATION DRILLING TO START Q4 2017

Gulf of Mexico Shelf oil and gas explorer/producer

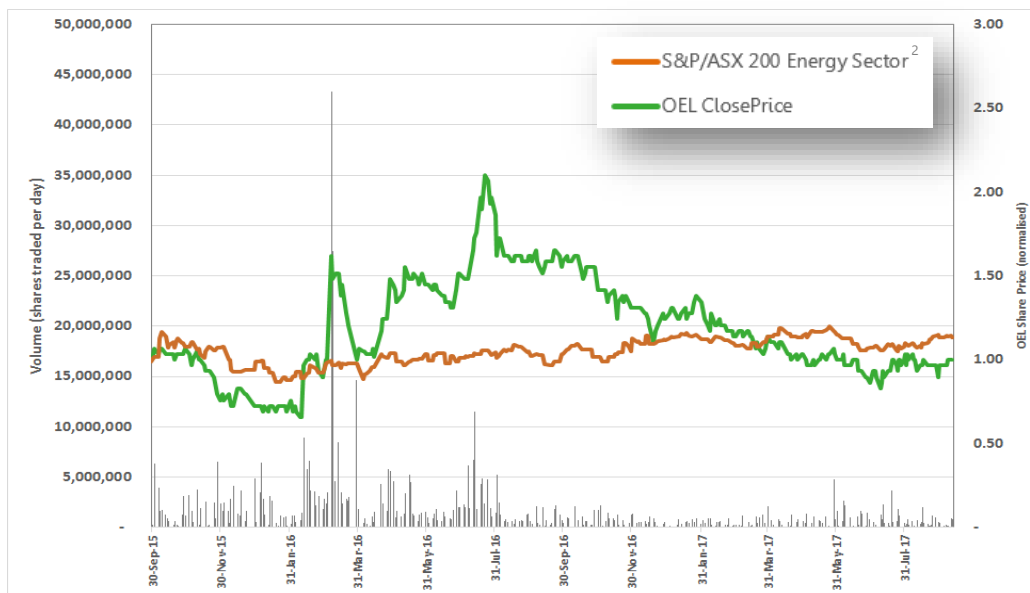
Matthew Allen, Managing Director and CEO

September 2017

**OTTO**  
ENERGY

# Corporate Snapshot

A junior oil and gas company with proven delivery of shareholder value



Capital Structure		Funding Position		Shareholders	
Fully paid ordinary shares	1.186b	Cash (31 Aug 2017)	US\$16.6m	Molton Holdings	20.4%
Unlisted options	Nil	Convertible Note Liability (31 Aug 2017) <sup>3</sup>	US\$8.2m	Santo Holdings	20.4%
Performance Rights	7.7m	Debt (31 Aug 2017)	Nil	Directors & Management	2.4%
Convertible Notes (US\$1 per note) <sup>3</sup>	8.2m				
Market capitalisation <sup>1</sup>	A\$34m				

12 Month Turnover = 14.05% of issued capital  
Average daily volume last 12 months = 0.658 million shares/day

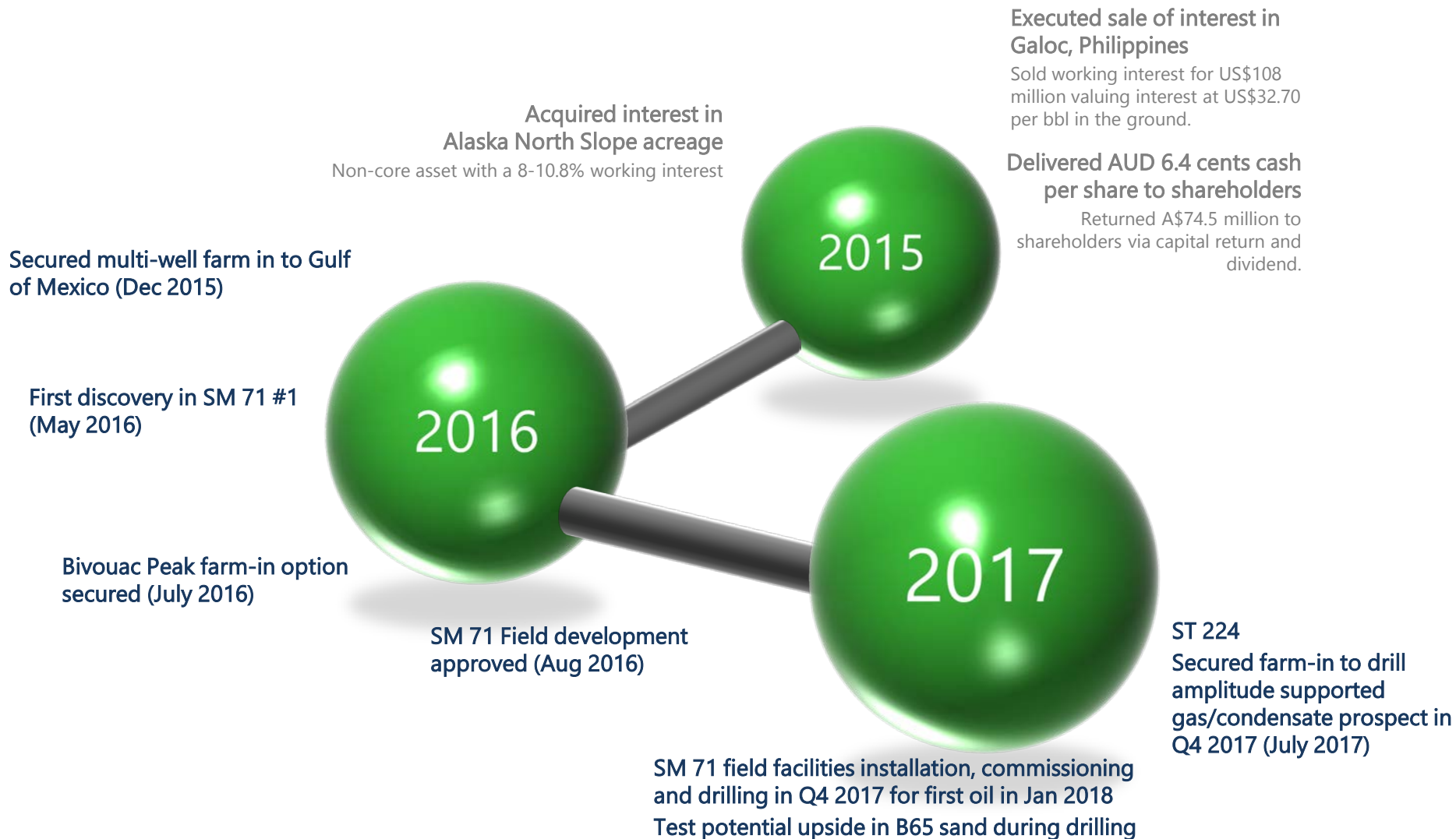
1. Undiluted at 2.9 cents per share as at 12 September 2017

2. ASX 200 Energy Index normalized to 30 September 2015 OEL share price

3. Convertible note issue for US\$8.2m announced 29 May 2017, issued 2 August 2017. Conversion price of 5.5 cps, maturity 30 June 2019. The notes have a face value of US\$1.00 and may be converted at A\$0.055. At the 31 August 2017 AUD:USD rate of 0.79 the 8.2 million notes would have converted to 188.7 million shares.

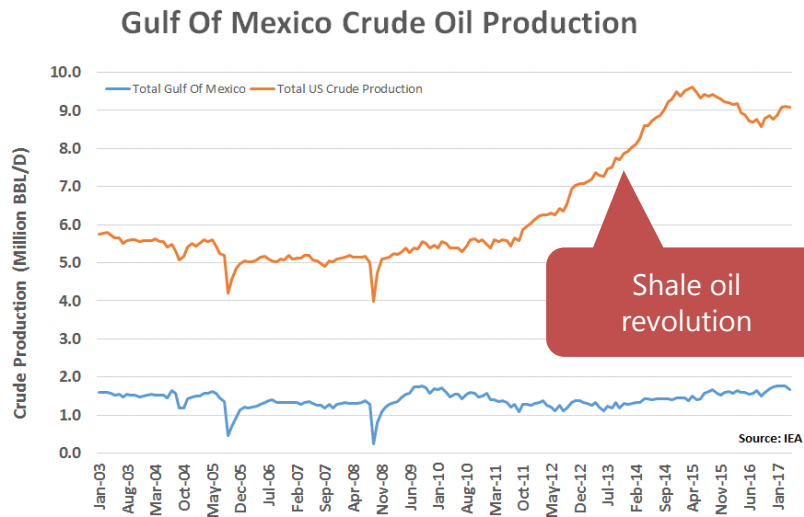
# Re-positioned into North America portfolio

Gulf of Mexico delivers high margin projects at low oil prices



# Gulf of Mexico Shelf counter-cyclical play

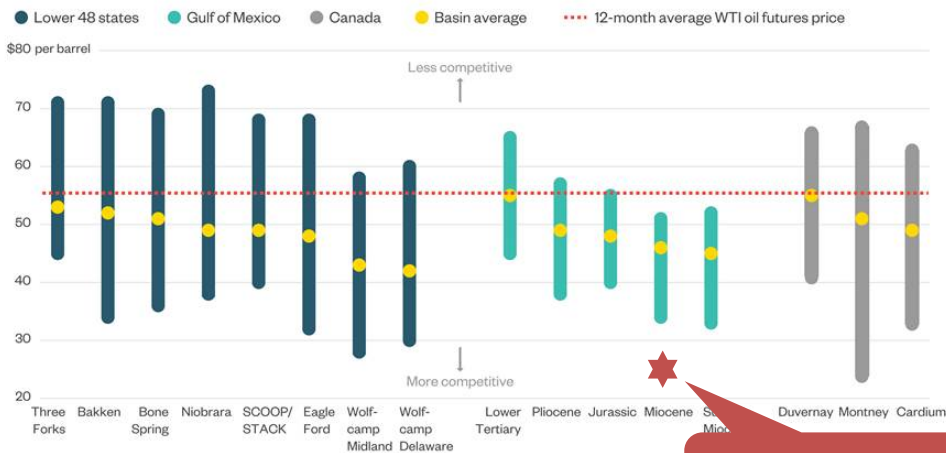
Limited investment in US conventional exploration – mature province yielding new discoveries



- Gulf of Mexico is a mature oil and gas province – producing since 1950's
- Currently produces ~ 2 MM bbl/day
- Shift from shelf to deepwater investment in the past 10 years
- Majors have exited the shelf – room for small players
- Technology has improved ability to discover and develop overlooked opportunities in particular RTM seismic data processing.

## Point Break

Breakeven oil prices for North America's shale basins and the Gulf of Mexico vary widely, but on average they look competitive even with oil below \$60 a barrel



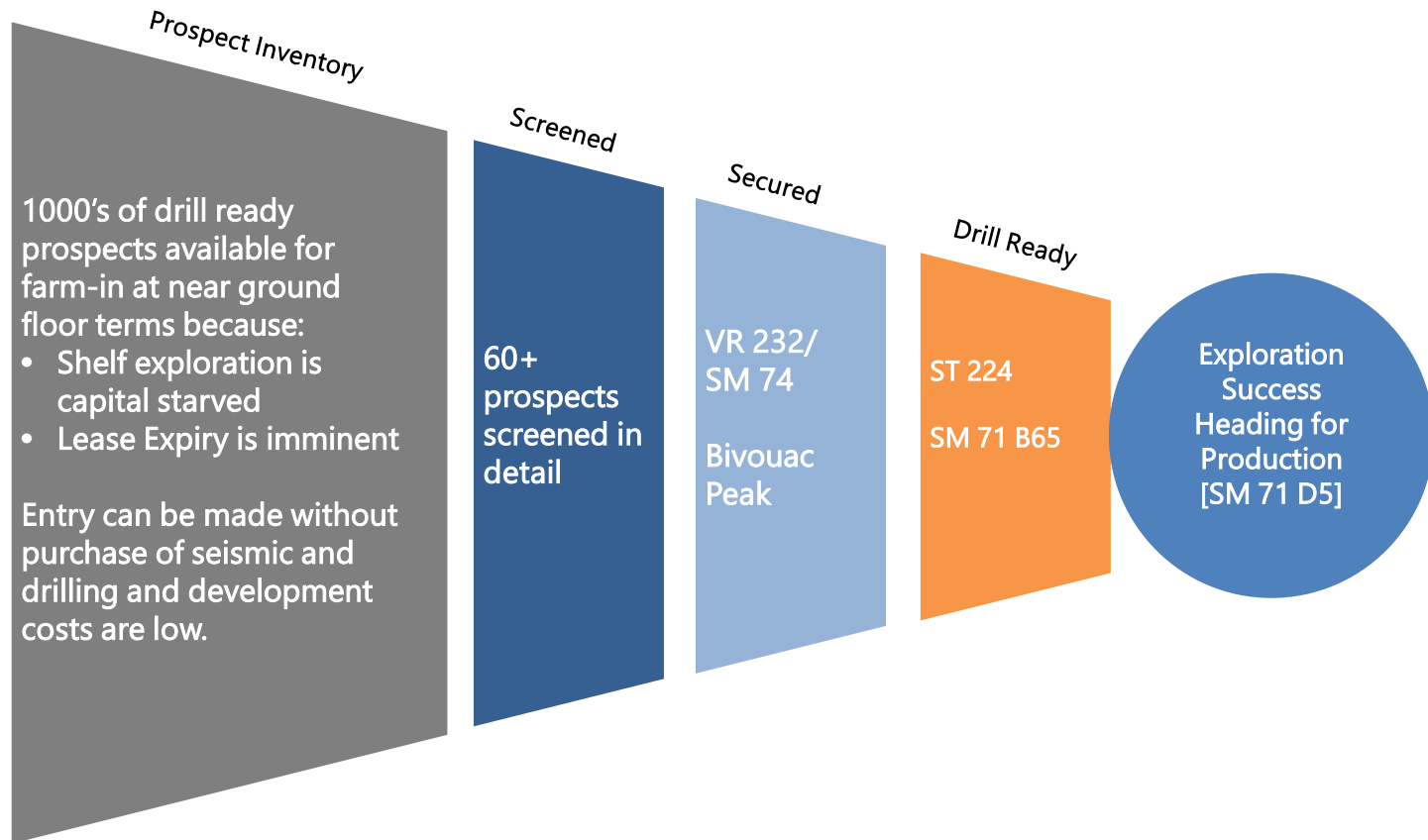
SM71 breakeven < US\$25/bbl

Note: Breakeven prices reflect projected level needed to generate a 10 percent return on drilling

- Over US\$21.4 billion in Permian shale M&A transactions in Q1 2017
- Entry price for Permian prohibitive for junior oil and gas companies
- Conventional GoM shelf oil and gas is still economically attractive compared to shale
- Permian is now the marginal barrel in setting global oil prices

# Otto's Gulf of Mexico Strategy

Building an inventory of near term drilling prospects



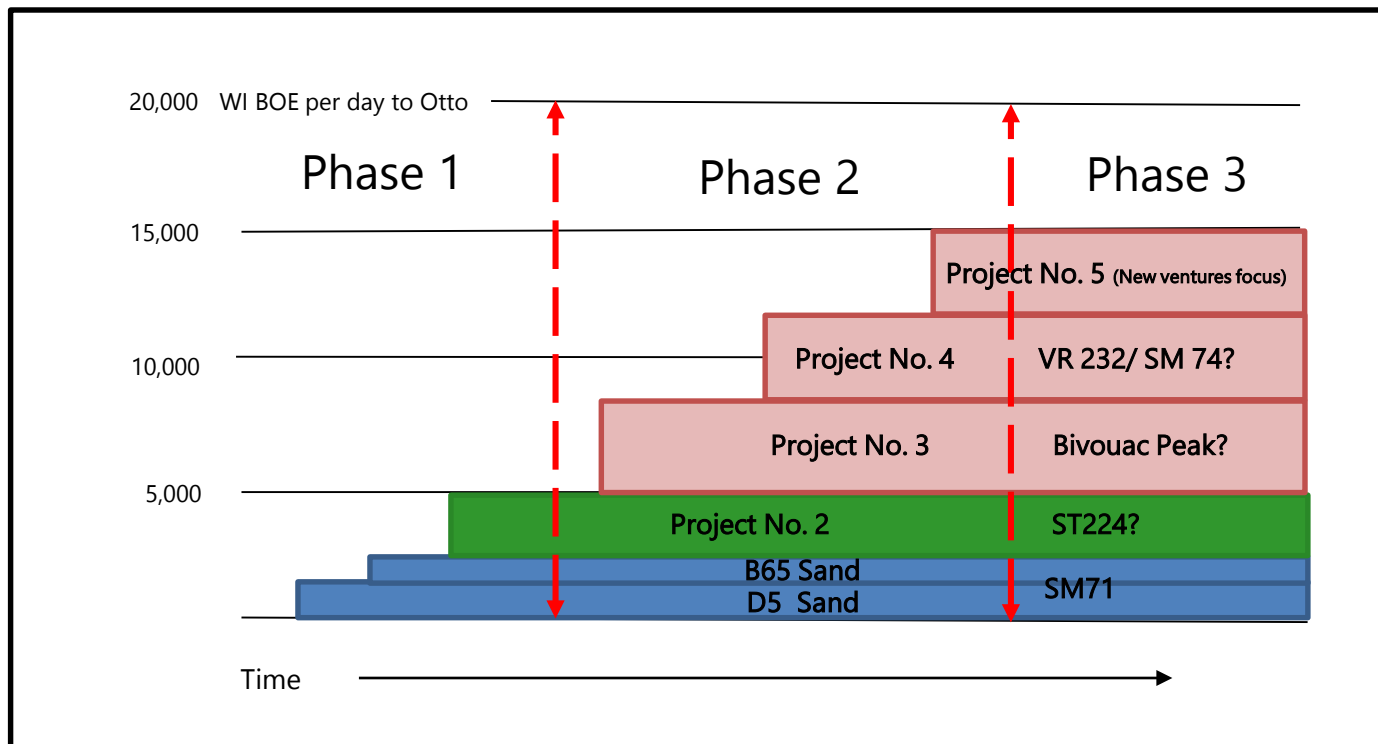
- Otto is playing the oil and gas business differently to most of its peer companies in response to the fundamental shift in the oil price
- Organisation is kept lean – no money or time spent on acquiring acreage and seismic
- Partner successfully with competent and proven prospect generators and operators
- Go straight to drilling the highest quality drilling opportunities

# Otto's Gulf of Mexico Strategy

Targeting a portfolio of high margin, high chance of success and near term production assets

Focus on prospects with the following characteristics:

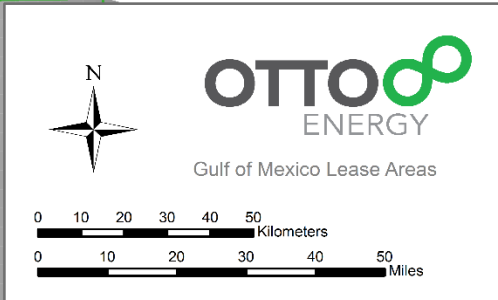
- ◆ Miocene/Pliocene geology which are amplitude supported
- ◆ Investing capital into drilling, not seismic
- ◆ Seeking early cashflow/ROI - ~12-18 months from exploration to production
- ◆ Shallow water (<300 feet) – keeping capex manageable
- ◆ High liquids yields to increase margins



# Otto Energy's Gulf of Mexico Portfolio

Lafayette

New Orleans



BIVOUAC PEAK

- Option to drill a well at Bivouac Peak secured

- Multi-well development at SM 71, in production Jan 2018
- B65 prospective resource to be tested during development drilling
- Option to secure 50% equity in adjacent block at VR232 or SM74

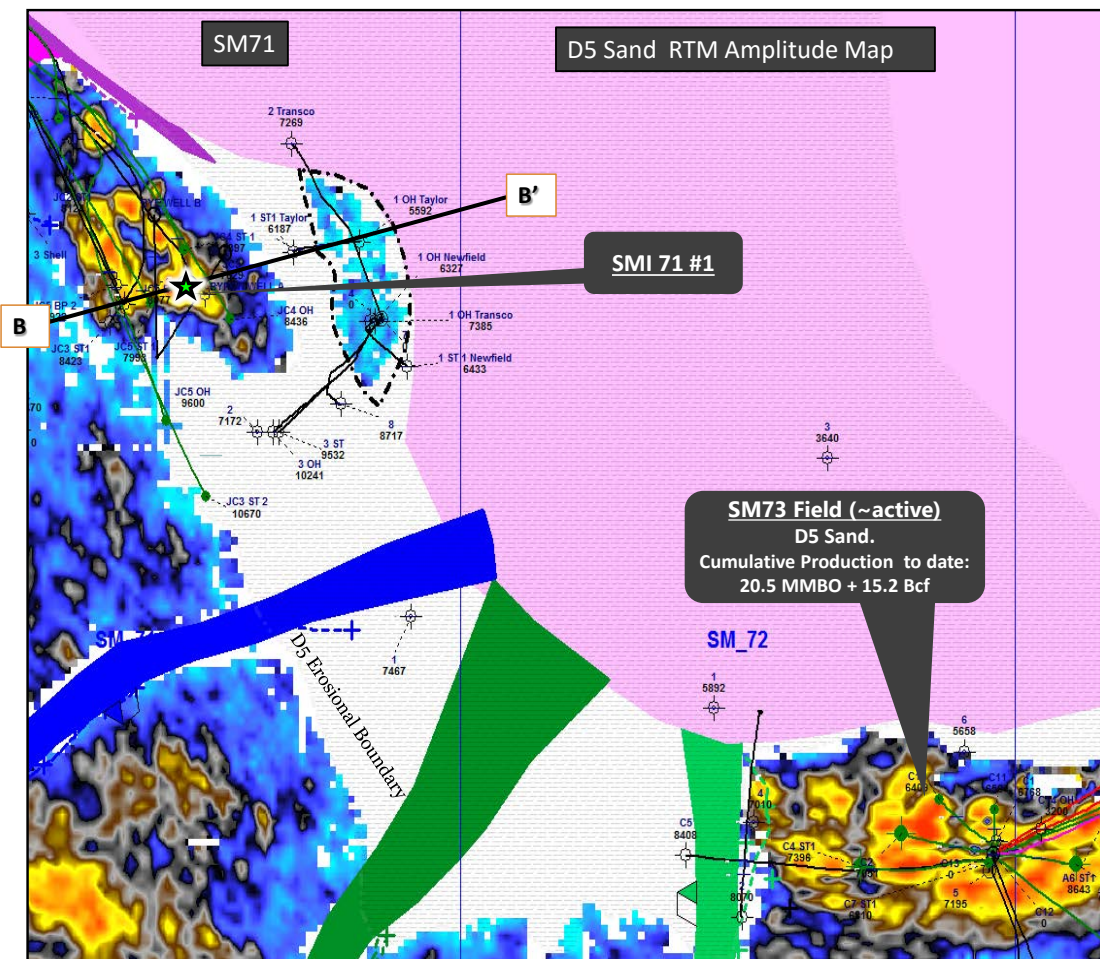
SM71

- Farm-in to ST-224 delivered
- Low risk/high value well to be drilled Q4 2017

ST224



# South Marsh Island 71 – D5 Sand Discovery



- Production expected to commence in Jan 2018
- Initial projected flow rates over 1,500 bbls/day/well
- SM 71 #1 well logged 151' TVT oil pay in the I3, J, D5 and D6 sands
- SM 71 discovery made possible through use of RTM seismic technology

SM71 Gross Reserves*	Oil (Mbbl)	Gas (MMcf)
1P	1,432	994
2P	4,990	3,599
3P	6,318	4,516
Prospective Resources	5,029	4,899

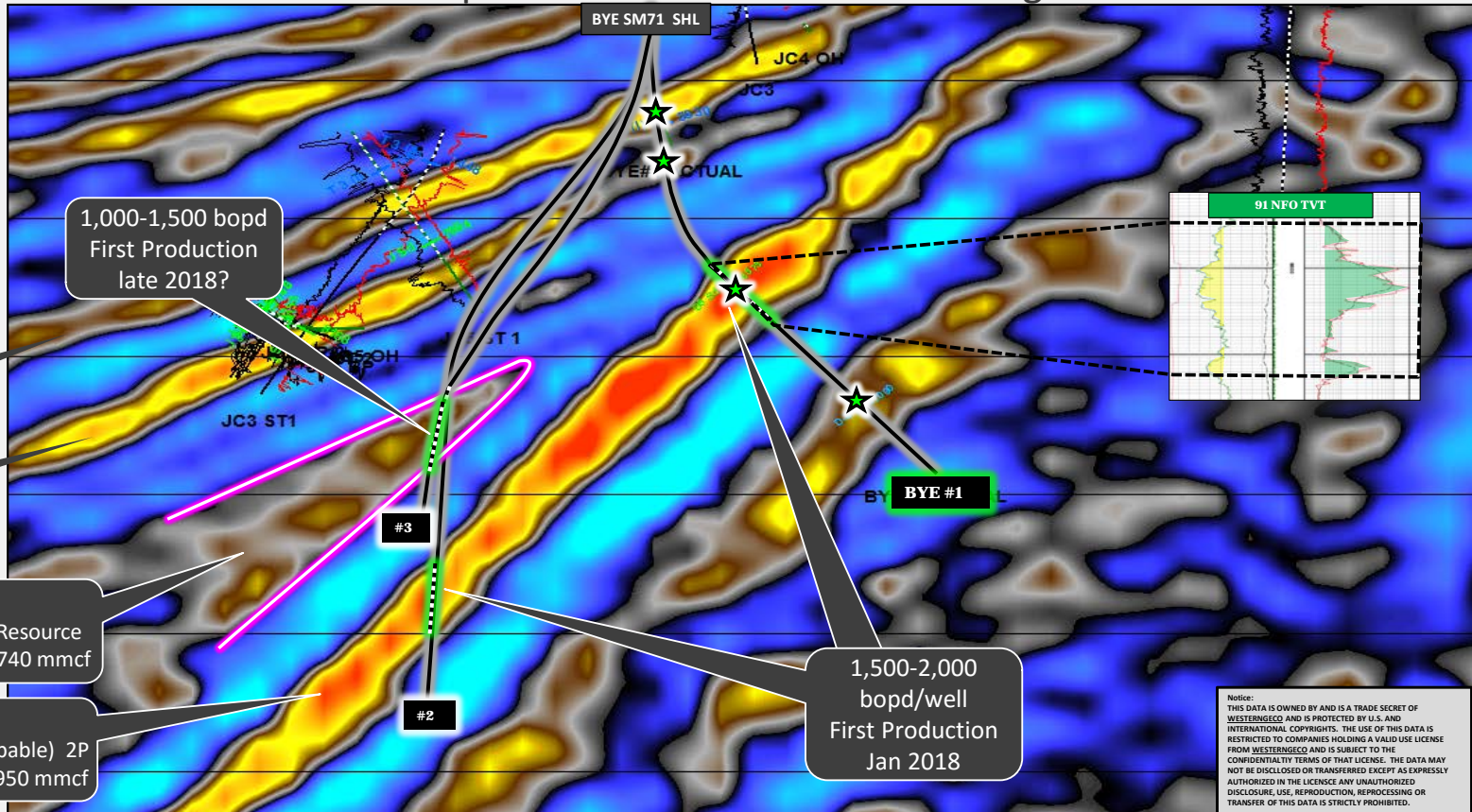
\* As at 30/06/2016; Collarini and Associates report dated 20<sup>th</sup> July 2016; refer ASX releases dated 20/07/2016





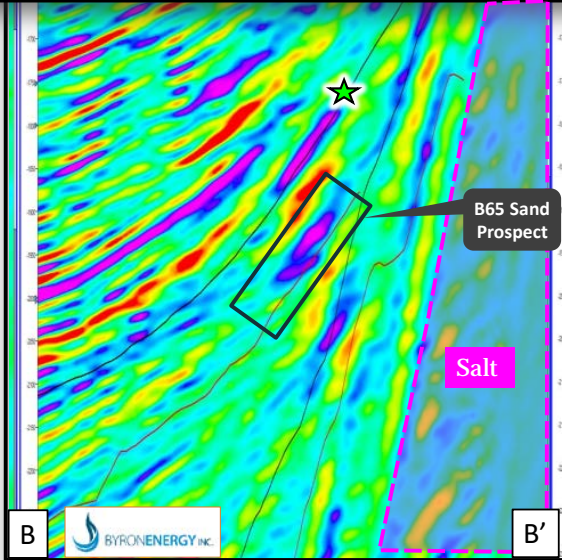
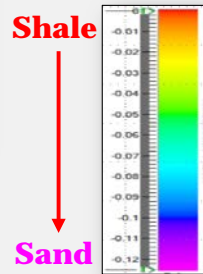
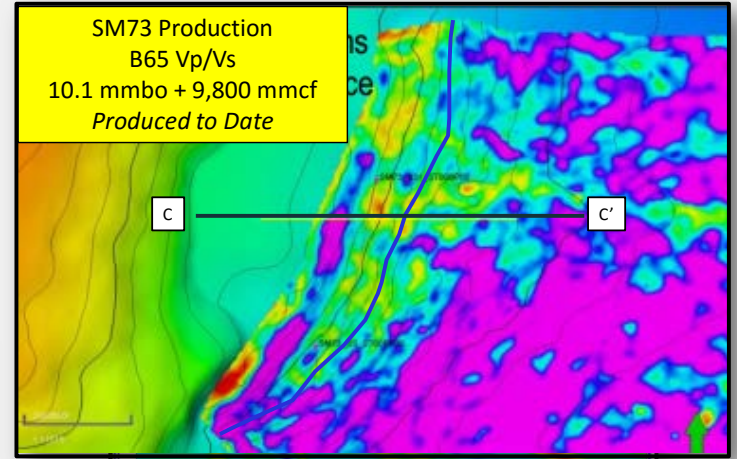
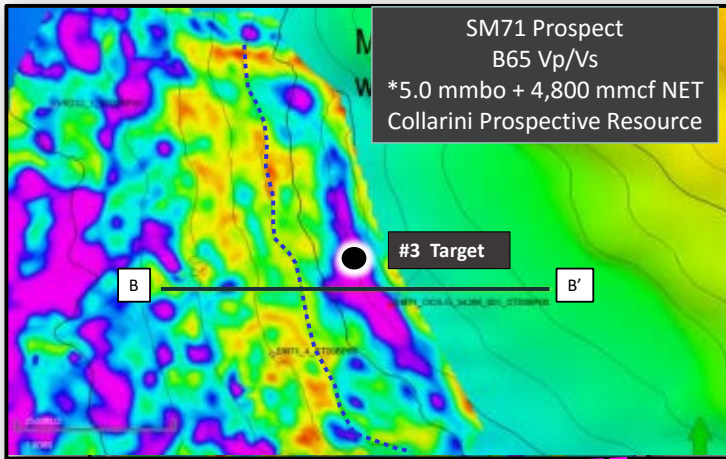


# SM71 Development: 3 Well Scenario Conceptual Well Placement and Timing



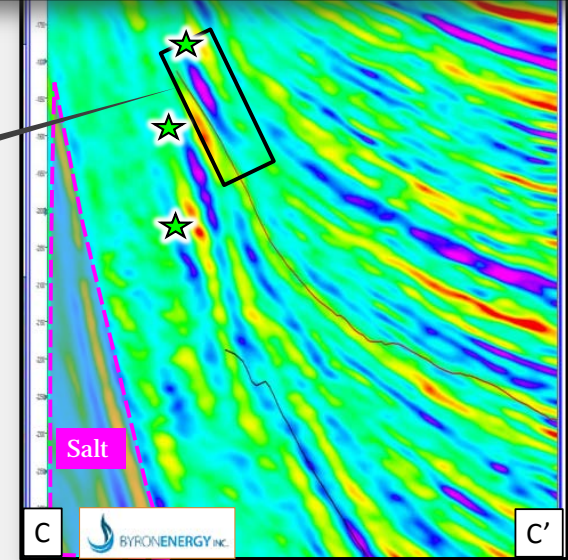
2017						2018								
July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Platform Completion			Complete #1 D5 Drill #2 D5 Acceleration			First Production D5 (2Wells)	First Cash Flow #1 & #2 D5		Preparations for further development drilling B65?					

# SM71 – B65 Sand – Comparison of Prospect to Production



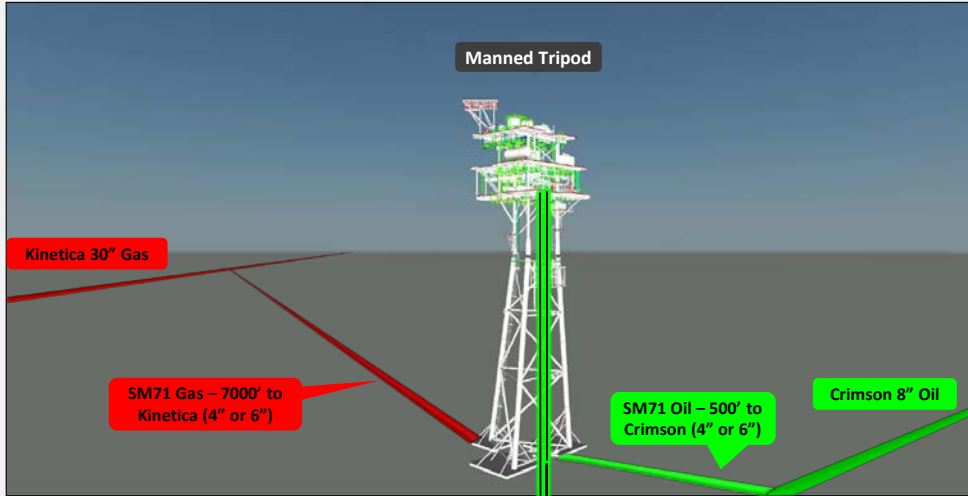
B65 Sand Production

Notice: THIS DATA IS OWNED BY AND IS A TRADE SECRET OF WESTERNGECO AND IS PROTECTED BY U.S. AND INTERNATIONAL COPYRIGHTS. THE USE OF THIS DATA IS RESTRICTED TO COMPANIES HOLDING A VALID USE LICENSE FROM WESTERNGECO AND IS SUBJECT TO THE CONFIDENTIALITY TERMS OF THAT LICENSE. THE DATA MAY NOT BE DISCLOSED OR TRANSFERRED EXCEPT AS EXPRESSLY AUTHORIZED IN THE LICENSE. ANY UNAUTHORIZED DISCLOSURE, USE, REPRODUCTION, REPROCESSING OR TRANSFER OF THIS DATA IS STRICTLY PROHIBITED.





# South Marsh 71 Development plan



## Manned Tripod

Robust oil and gas throughput to handle future exploration success  
6 x well capacity

## Oil

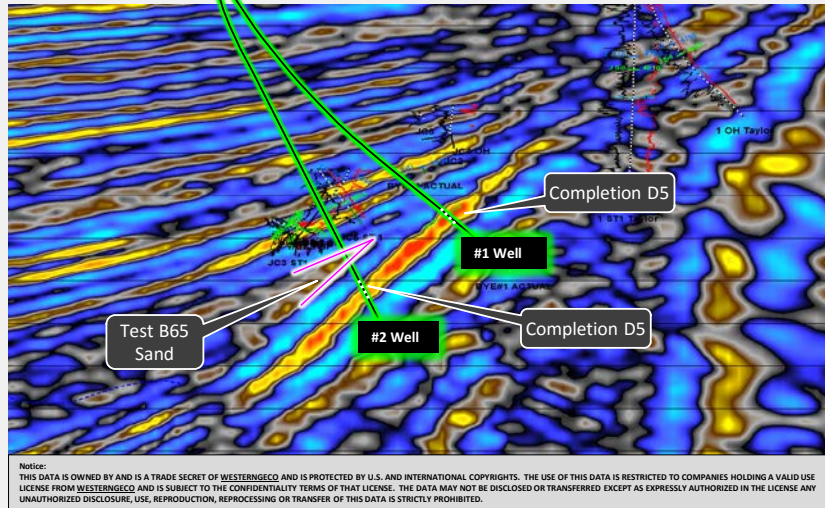
4,500 Bopd from wells on SM71  
15,000 Bopd throughput

## Gas

20,000 Mcfpd from wells on SM71  
75,000 Mcfpd throughput

## Water

5,000 Bwpd



## Complete Manned Tripod

Expected completion Sep 2017

Lift boat delivery to SM71 location Oct 2017

## Drilling rig arrives Nov 2017 Departs Jan 2018

Complete the **#1 Well** in D5 Sand

Drill the **#2 Well** to test the **B65 Sand** and complete in D5 Sand

## Pipeline work to be completed by Nov 2017

Build and connect (4" or 6") 500' oil pipeline to Crimson 8" oil line

Build and connect (4" or 6") 7,000' gas pipeline to Kinetica 30" gas line

## First production Jan 2018

Oil and gas production expected to commence Jan 2018 from the #1 & #2 wells at a combined rate between **3,000 – 4,000 barrels** of oil per day  
Fixed low cost **contract operations**

# South Marsh Island 71 (SM 71)

Otto's first GoM shelf discovery – production to start Jan 2018



Sub Cellar Deck nears completion



Cellar Deck nears completion



Jacket ready for loadout



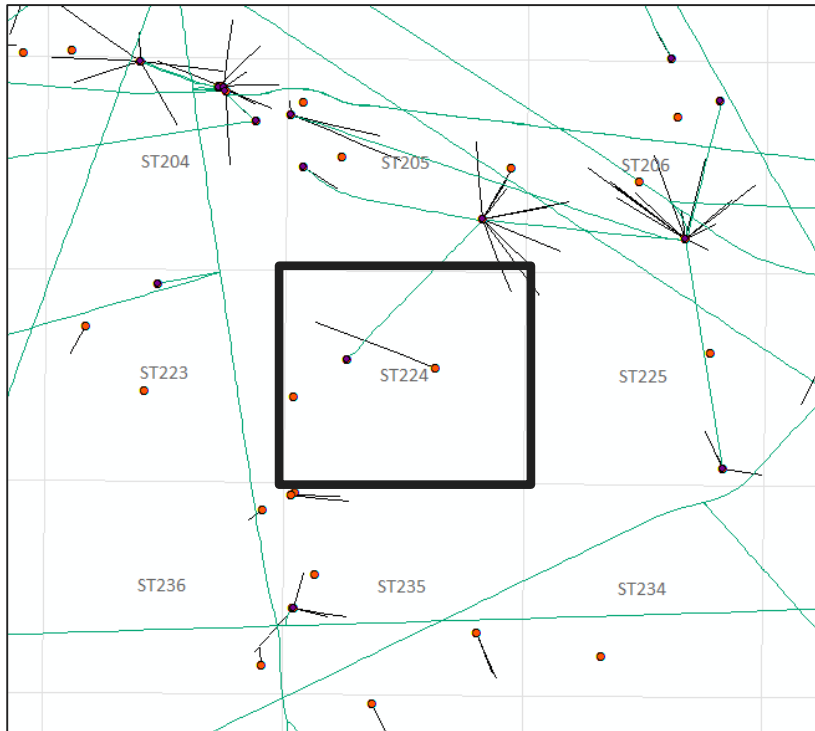
Welding Interconnect Pipework

Construction progress on tripod platform and production equipment



# South Timbalier 224 (ST 224)

Amplitude supported, gas/condensate prospect drilling in Q4 2017



ST224 location showing nearby wells, platforms and pipeline facilities

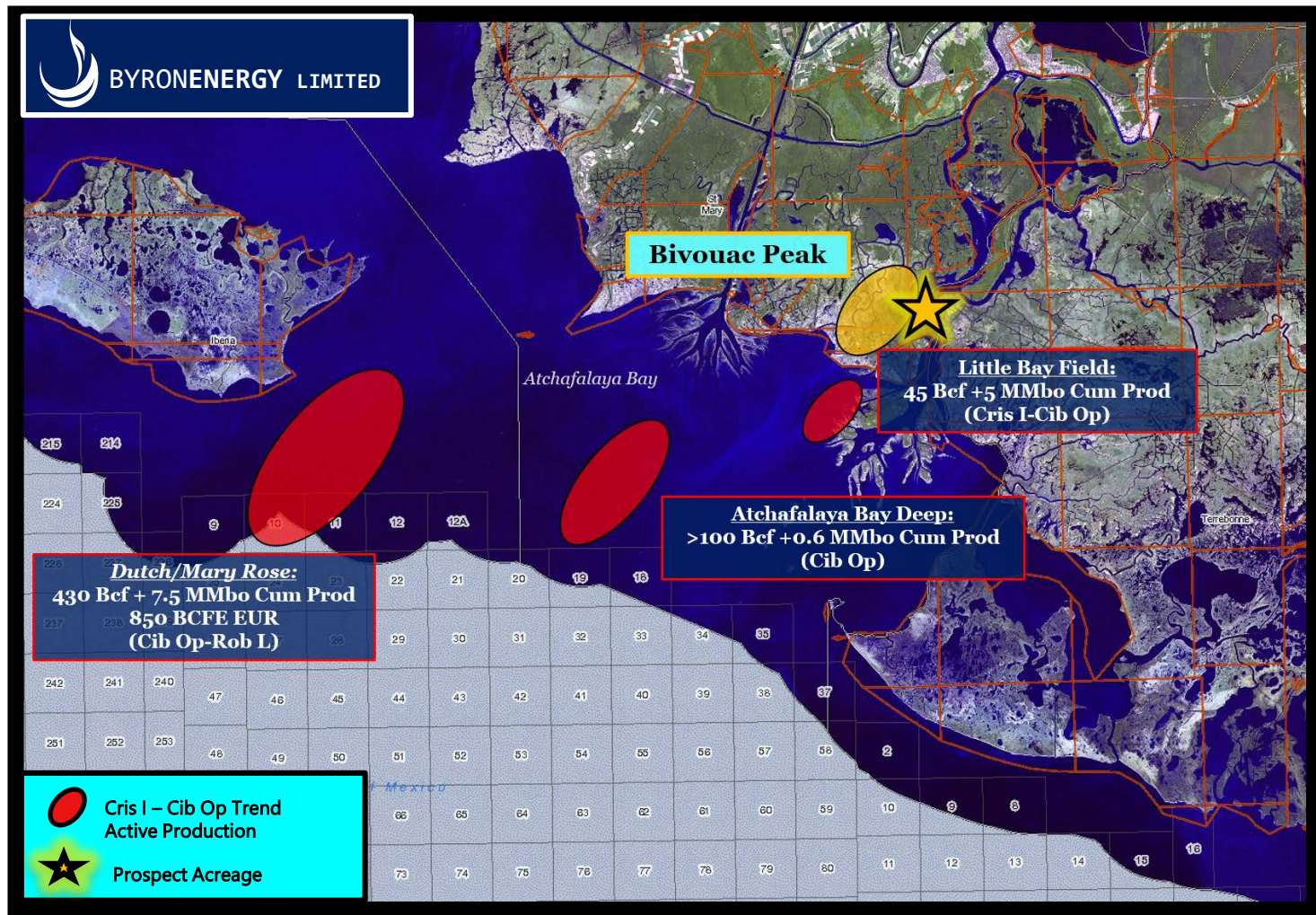
## ST 224 Farm-in

- ◆ 25% Participating Interest / 19.5625% Net Revenue Interest in the ST 224 well
- ◆ ST 224 #1 well to be drilled in Q4 2017 in 170 feet water depth to ~10,500 feet TVD
- ◆ Otto will earn a 25% participating interest by funding 25% of the well cost
- ◆ Net capex exposure US\$2.7m for the ST 224 #1 well
- ◆ Amplitude supported gas/condensate opportunity within export range of existing infrastructure
- ◆ Modern 3D seismic used to identify prospect
- ◆ Nearby analogue discoveries contain high Condensate to Gas ratios – high liquids projects deliver higher margins



# Bivouac Peak

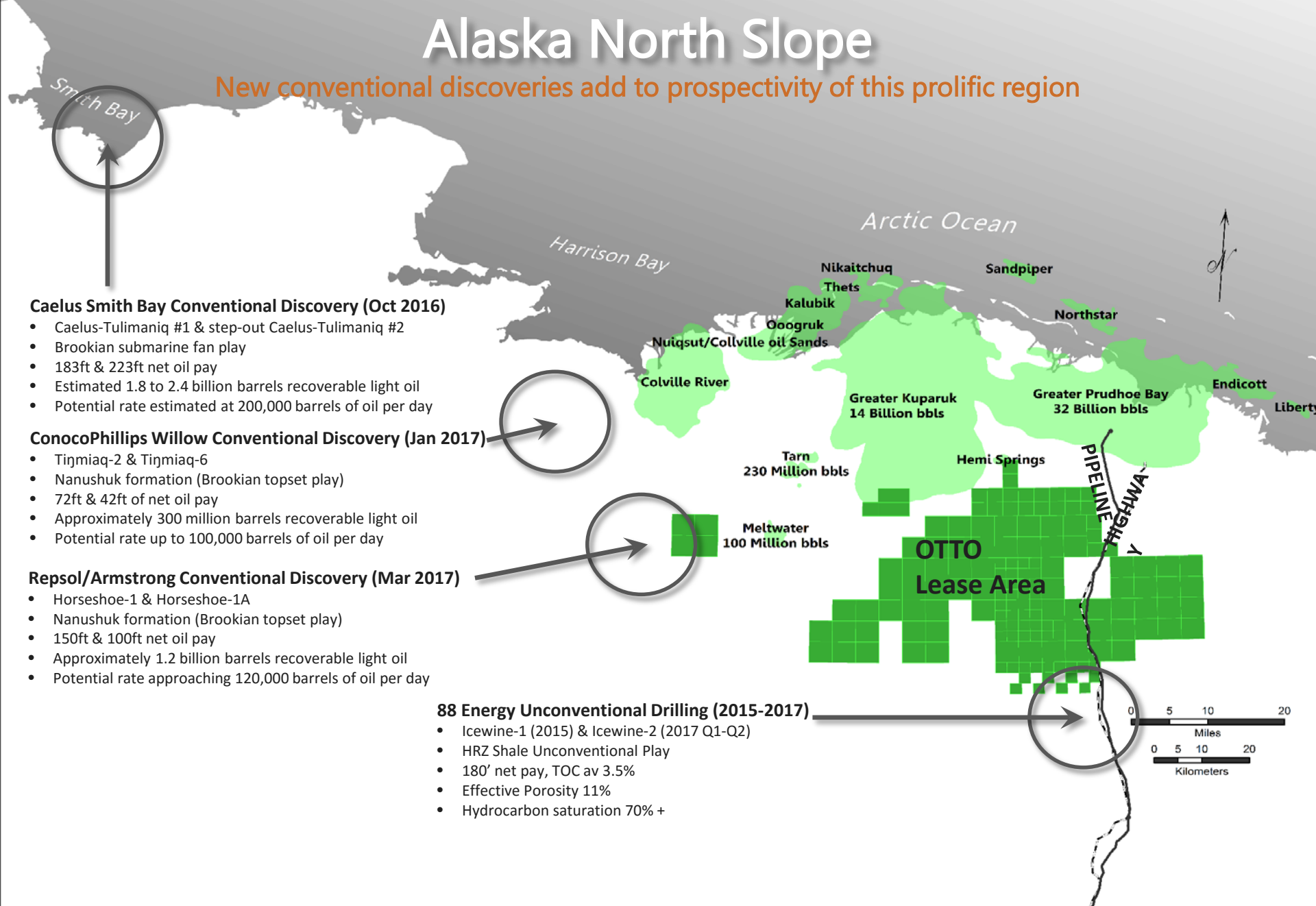
Onshore Louisiana gas/condensate prospect to be drilled in 2018



Note: Otto will earn interests in the above resources volumes by participating in wells. 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.

# Alaska North Slope

New conventional discoveries add to prospectivity of this prolific region



## Caelus Smith Bay Conventional Discovery (Oct 2016)

- Caelus-Tulimaniq #1 & step-out Caelus-Tulimaniq #2
- Brookian submarine fan play
- 183ft & 223ft net oil pay
- Estimated 1.8 to 2.4 billion barrels recoverable light oil
- Potential rate estimated at 200,000 barrels of oil per day

## ConocoPhillips Willow Conventional Discovery (Jan 2017)

- Tinjmiq-2 & Tinjmiq-6
- Nanushuk formation (Brookian topset play)
- 72ft & 42ft of net oil pay
- Approximately 300 million barrels recoverable light oil
- Potential rate up to 100,000 barrels of oil per day

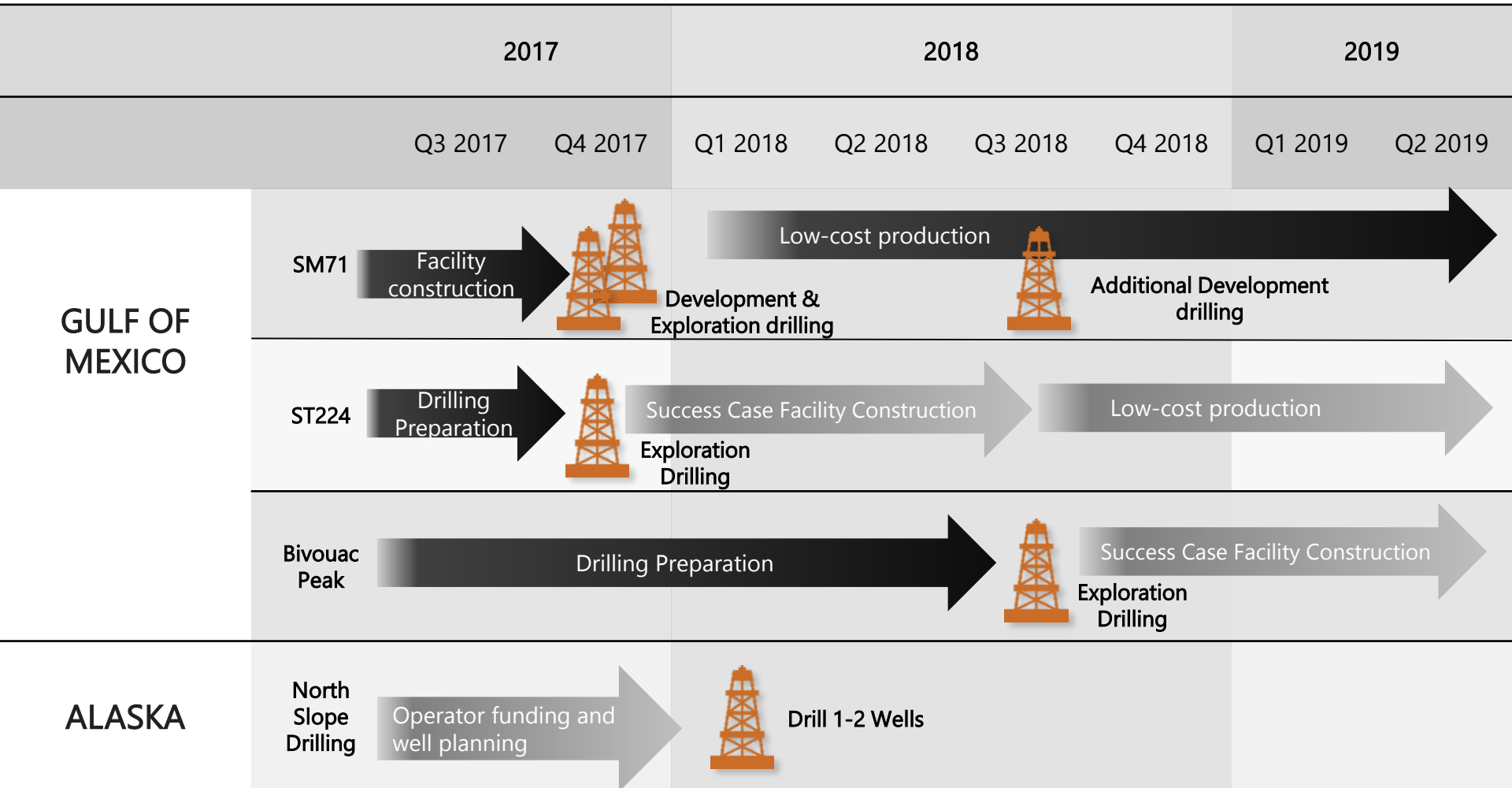
## Repsol/Armstrong Conventional Discovery (Mar 2017)

- Horseshoe-1 & Horseshoe-1A
- Nanushuk formation (Brookian topset play)
- 150ft & 100ft net oil pay
- Approximately 1.2 billion barrels recoverable light oil
- Potential rate approaching 120,000 barrels of oil per day

## 88 Energy Unconventional Drilling (2015-2017)

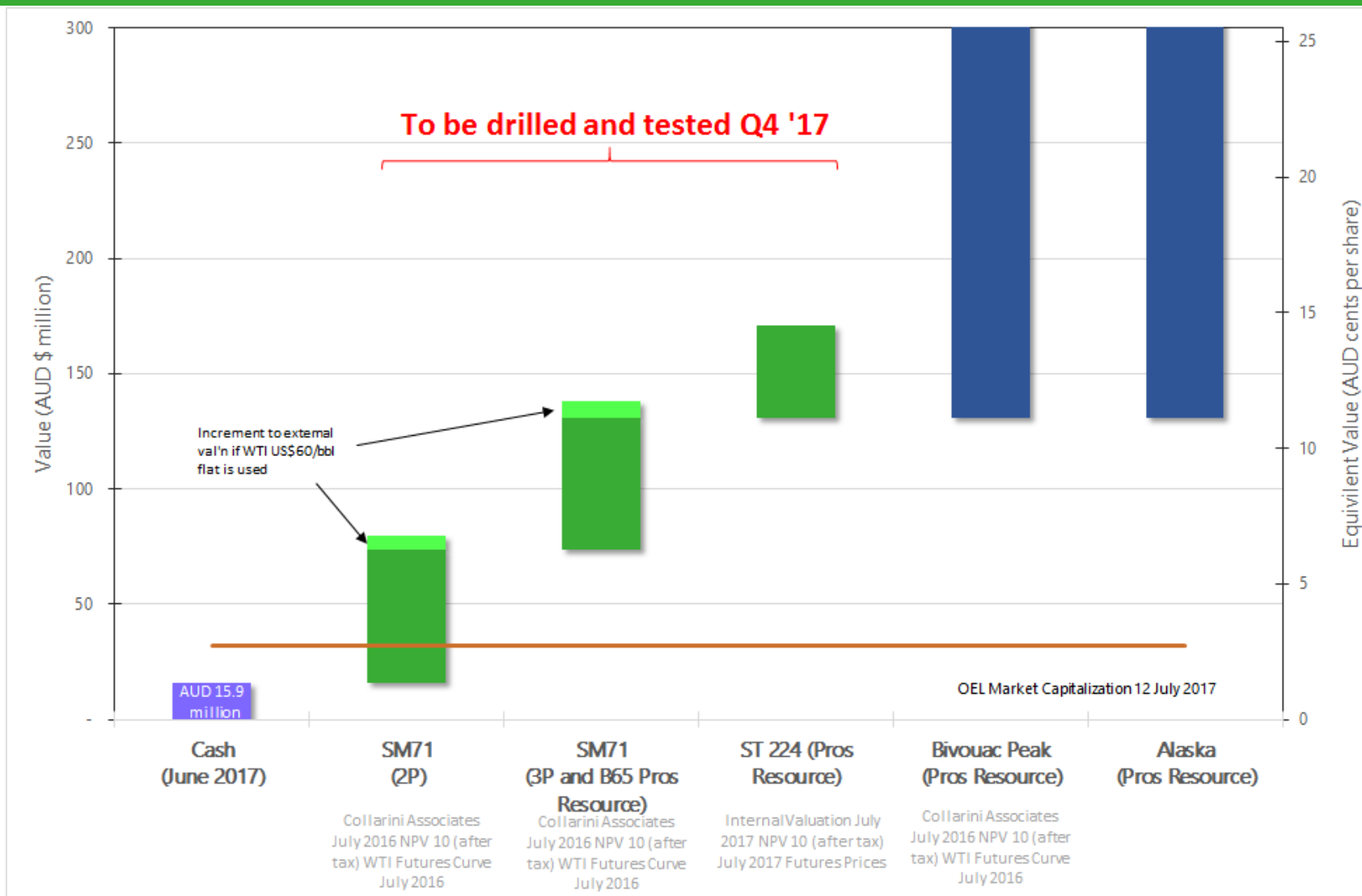
- Icewine-1 (2015) & Icewine-2 (2017 Q1-Q2)
- HRZ Shale Unconventional Play
- 180' net pay, TOC av 3.5%
- Effective Porosity 11%
- Hydrocarbon saturation 70% +

# Forward Activity Timeline



# Corporate Value Breakdown

## Exploration Drilling Testing Significant Upside in Q4 2017





# Additional Information

**Otto Energy Ltd**

32 Delhi Street

West Perth

Western Australia 6005

Telephone: **+61 8 6467 8800**

Facsimile: **+61 8 6467 8801**

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

# 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, USA, 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, USA, South East Asia & Africa.  
Previous roles at Oilex (Exploration Manager), Woodside  
Energy (Head of Evaluation) and Shell International.



**David Rich – Chief Financial Officer & Company Secretary.**  
**BCom. FCA, GAICD, Grad.Dip.CSP AGIA**  
Experienced public company CFO with the last 15 years as  
CFO of upstream oil and gas companies with international  
interests including in Australia, Asia and the USA.



# 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.

## 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 Senyca 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 Senyca 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 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 Senyca. Mr Senyca 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 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 Resources

Prospective resource estimates in this presentation are prepared as at June 2016. 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 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.