

ASX ANNOUNCEMENT

4 July 2018

SM 71 OPERATIONS UPDATE

Otto Energy Limited (ASX: OEL) ("Otto" or the "Company") provides the following update on field production and specifically well performance of the SM 71 F2 well at its South Marsh Island 71 ("SM 71") project in the Gulf of Mexico.

As noted in recent ASX releases, the SM 71 F2 well which is completed in the secondary B65 Sand was experiencing reservoir pressure depletion. To date, 32,466 barrels of oil and 60.9 million cubic feet of gas have been recovered, without any water, from the B65 Sand in the SM 71 F2 well. This data, along with pressure data indicates an estimated trap size of 3 acres, whereas the targeted seismic anomaly size was 175 acres. This provides strong evidence that the B65 Sand intersected by F2 is isolated from the main B65 Sand target area. The F2 well was recently shut in to analyse the pressure build-up of the well and was brought back online on Monday 2 July 2018 USCDT. After flowing for approximately 8 hours, the F2 well ceased production of hydrocarbons and has been shut in.

As reported previously, the SM 71 F2 has two remaining hydrocarbon zones, the B55 and J1 Sands with 50,000 to 100,000 barrels expected to be recovered from each zone. The forward plan is to initially perforate the B55 Sand and verify that economic flow rates can be achieved. When the B55 Sand ultimately ceases production, the J1 Sand would be recompleted before any proposal to redrill the well to the main B65 Sand area. Due to equipment availability, the initial B55 Sand recompletion work is expected to take place in early September.

The Operator, Byron Energy Inc., a wholly owned subsidiary of Byron Energy Limited (ASX:BYE) ("Byron"), has confirmed that the B65 Sand is one of many focus areas to be targeted by the recently announced seismic processing project Byron is undertaking with Schlumberger's subsidiary WesternGeco. These data will help determine the placement of future wells noting the significant remaining potential in the B65 Sand.

The SM 71 F1 and F3 wells are performing to expectations and overall production rates will be largely unaffected by the shut in of the F2 well. Current daily field production at the test separator is 4,245 barrels of oil, 2.0 million cubic of gas and no water from the F1 and F3 wells. Actual sales volumes will be approximately 5% less due to oil shrinkage in the system. June gross production totals were 116,715 barrels of oil and 90.8 million cubic feet of gas from the platform with minor downtime. As of 30 June 2018, total gross field production is 360,000 barrels of oil and 276 million cubic feet of gas. The SM 71 F1 and F3 wells will continue to be managed to ensure maximum recovery from the field's primary D5 Sand reservoir.

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 holds the remaining 50% working interest.

Otto's Managing Director, Matthew Allen, commented: *"While the current performance of the F2 well is disappointing, the B65 oil discovery remains a significant future target in the SM 71 lease area. Fortunately as production from the F1 and F3 wells continues at a high level and bearing in mind the facility's capacity of 5,000 bopd there is no reason to spend additional capital at this time on further drilling."*

"The consistent, high-margin production from SM 71 and strong oil prices are providing fantastic cash flow to fund our program of growth in the Gulf of Mexico."



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