

QUARTERLY REPORT

THREE MONTHS ENDED 30 JUNE 2018

QUARTERLY HIGHLIGHTS FOR OTTO ENERGY LIMITED (ASX:OEL)

PRODUCTION

- Otto's oil and gas sales for the quarter totalled 165,120 bbls of oil and 121,599 Mcf of gas
- Otto generated revenue for the quarter of US\$11.2 million before royalties and operating costs
- F3 well commenced production on 6 April 2018.

APPRAISAL/DEVELOPMENT:

- Platform has settled into steady state operations during the quarter
- The F3 well was tied in and production commenced on 6 April 2018.

EXPLORATION – LOUISIANA, GULF OF MEXICO:

- Bivouac Peak – Otto has elected to participate in the 32.2 MMboe* East prospect expected to commence drilling during August 2018
- Byron Energy awarded VR 232 where Otto has the right to earn a 50% WI.

EXPLORATION – ALASKA NORTH SLOPE:

- Otto generated transaction will see a large Nanushuk prospect drilled during Q1 2019 in the Western Blocks area on the North Slope

CORPORATE:

- Closing cash balance of US\$5.9 million (A\$7.98 million).
- Received proceeds of US\$ 7.7 million in the quarter from SM 71 sales (March, April and May production before royalties).

THREE-MONTH OUTLOOK

- Otto expects to continue to receive substantial cash flows from the sale of steady state production from its 50% owned SM 71 oil field in the Gulf of Mexico. F2 well to be recompleted in September.
- Louisiana, Gulf of Mexico: Bivouac Peak – Commence drilling the 32.2 MMboe* East prospect in the second half of August.
- Alaska: Finalise definitive agreements and prepare for drilling in the Western Blocks area in early 2019.
- Continue to identify and secure new business opportunities in the Gulf of Mexico.

*100% best estimate prospective resources. Refer page 4.

PRODUCTION, APPRAISAL AND DEVELOPMENT

LOUISIANA/GULF OF MEXICO – SOUTH MARSH ISLAND 71 (SM 71)

Location:	Offshore Gulf of Mexico
Area:	12.16 km ²
Otto's Working Interest:	50.00% with Byron Energy Inc. (Operator)

Otto owns a 50% Working Interest ("WI") and a 40.625% Net Revenue Interest ("NRI") in the South Marsh Island block 71 ("SM 71"), with Byron Energy Limited ("Byron") (ASX: BYE) the operator, holding an equivalent WI and NRI. Water depth in the area is approximately 137 feet.

The F1 and F3 wells have demonstrated a steady and predictable production flow from the D5 reservoir interval with no formation water produced to date.

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 the F2 well is isolated from the main B65 Sand target area. The F2 well was 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 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.

The SM 71 F1 and F3 wells will continue to be managed to ensure maximum recovery from the field's primary D5 Sand reservoir.

For the quarter ended 30 June 2018

Production Volumes	Prior Quarter	Current Quarter	% change	Comment
Gross (100%)				
SM 71 – Oil (bbls)	18,342	330,239	1700%	Production commenced 23 March 2018 from F1. F2 commenced 25 March 2018. F3 commenced on 6 April 2018. 6 days shut in due to pipeline maintenance and other matters.
SM 71 – Oil (bopd)	2,038	3,629	78%	
SM 71 – Gas (Mscf)	11,542	228,896	1883%	
Otto WI Share (50%)				
SM 71 – Oil (bbls)	9,171	165,120	1700%	
SM 71 – Oil (bopd)	1,019	1,815	78%	
SM 71 – Gas (Mscf)	5,771	114,448	1883%	
Otto NRI Share (40.625%)				
SM 71 – Oil (bbls)	7,451	134,160	1700%	
SM 71 – Oil (bopd)	828	1,474	78%	
SM 71 – Gas (Mscf)	4,689	92,989	1883%	

Sales Revenue – Otto 50% WI share (before royalties) USD	Prior Quarter	Current Quarter	% change	Comment
SM 71 – Oil - \$'million	0.542	10.770	1886%	
SM 71 – Oil - \$ per bbl	59.14	65.23	10%	
SM 71 – Gas - \$'000	15	427	2720%	
SM 71 – Gas - \$ per MMbtu	\$2.41	\$3.43	42%	

Notes

- Otto sells its high quality Louisiana Light Sweet crude (“LLS”) produced at SM 71 at premium to West Texas Intermediate (“WTI”) based on current LLS versus WTI price differentials. Deductions are then applied for transportation, oil shrinkage, basic sediment & water (BS&W), and other applicable adjustments.
- Gas revenues include NGLs. 1 Mscf = 1.09 MMbtu in June for SM 71 production. The thermal content of SM 71 gas may vary over time.

EXPLORATION

LOUISIANA/GULF OF MEXICO – BIVOUAC PEAK

Location:	Inshore Gulf of Mexico
Area:	11.04 km ²
Otto's Working Interest:	40.00% - Byron Energy Inc. (Operator)

The Bivouac Peak leases cover 2,821 acres of highly prospective acreage in the transitional zone inshore southern Louisiana. The Operator has identified multiple prospects at both the Middle and Lower Miocene levels demonstrating stacked amplitude and AVO (amplitude versus offset) support. Follow-up drilling options have been identified at the Lower Miocene level that could increase the scale of the overall opportunity.

On 6 July 2018 Otto elected to participate in the initial test well, Weiss Adler et al No. 1, on the Bivouac Peak East prospect which is expected to commence drilling in mid-August 2018. The AFE for the 18,294 ft (TVD) well is US\$10.4 million (100% dry hole cost). Otto will earn a 40% working interest by paying 53.33% of the costs of the well to reach the earning depth or up to a cap of US\$5.33 million (US\$10 million x 53.33%), whichever occurs first, after which Otto will revert back to paying 40% of all future costs.

During the quarter the operator substantially progressed the permitting and rig procurement activities that will allow drilling to commence in mid-August. With Otto's positive election into the well, the joint venture has now committed to all of the available equity and funding to allow the well to progress.

An independent resource estimate for Bivouac Peak was prepared by Collarini Associates, which assigned Prospective Resources for the leases as set out in the table below.

Significant production exists in the adjacent Miocene sequence at the Little Bay field (greater than 45 Bcf gas and 5 MMbbl condensate) and the Atchafalaya Bay field (greater than 100 Bcf gas and 0.6 MMbbl condensate).

With nearby production infrastructure already in place, any successful well at Bivouac Peak would be capable of being brought into production within 8-10 months of discovery at a development cost in the range of US\$9-11 million (100%).

Should a commercial discovery be made at Bivouac Peak East additional potential at the Deep prospect will be followed up in due course.

Forward Plan

The Weiss Adler et al No. 1 well is expected to commence in the second half of August 2018 and take 75 days to reach total depth.

BIVOUAC PEAK BEST ESTIMATE PROSPECTIVE RESOURCES¹

Prospect	GROSS			OTTO 40% WI			OTTO 29.8% NRI		
	Oil (MMbbl)	Gas (Bcf)	MMBOE (6:1)	Oil (MMbbl)	Gas (Bscf)	MMBOE (6:1)	Oil (MMbbl)	Gas (Bscf)	MMBOE (6:1)
East	11.3	125.6	32.3	4.5	50.2	12.9	3.4	37.4	9.6
Deep	4.7	52.1	13.3	1.9	20.9	5.3	1.4	15.5	4.0
Total	16.0	177.7	45.6	6.4	71.1	18.2	4.8	52.9	13.6

¹ As at 30 June 2017. Refer Otto ASX releases of 28 September 2017 and 9 July 2018.

EXPLORATION (Continued)

LOUISIANA/GULF OF MEXICO – VERMILLION BLOCK 232 (VR 232)

Location:	Offshore Gulf of Mexico
Area:	18.31 km ²
Otto's Working Interest:	50.00% - Byron Energy Inc. (Operator)

As reported on 19 June 2018, Byron Energy Inc, a wholly owned subsidiary of Byron Energy Limited was advised by the Bureau of Ocean Energy Management ("BOEM") that its bid for VR 232 was deemed acceptable by the BOEM and the lease was awarded to Byron. The lease is subject to a 12.5% Federal Government royalty.

VR 232 is adjacent to Otto's 50% owned SM 71 oil field and adds drilling opportunities which increase Otto's potential upside around the SM 71 facilities.

The Operator, Byron, has mapped a gas and gas condensate prospect on the block with in-house calculated gross prospective resource potential of 11 Bcf and 170,000 barrels. This prospect could be tested from Otto's SM 71 F platform. There are currently no plans to drill VR 232 until production levels at the platform would allow a successful VR 232 well to be produced efficiently. The Operator has also identified two other prospects in VR 232 which require further geophysical evaluation before a drilling decision is made.

Byron evaluated this blocks with the same high-quality Reverse Time Migrated 3D seismic data and proprietary Inversion processed seismic data used in the discovery

of oil and gas at SM 71 in 2016. Upon transfer, Otto's working interest will be 50% and net revenue interest will be 43.75%.

Pursuant to the terms of a Participation Agreement, effective 1 December 2015, between Byron and Otto, Otto has elected to participate in VR 232 at a fifty percent (50%) working interest.

Under that agreement, Otto must pay an amount equal to a gross one hundred thirty-three percent (133%) of Otto's fifty percent (50%) interest share of lease acquisition costs and the initial test well (dry hole costs) plus a gross fifty percent (50%) of other past costs paid by Byron.

Under Byron's bid of US\$1.101 million for VR 232, Otto's share is US\$734,000.

Having now elected to participate in a the drilling of the East prospect at Bivouac Peak and participate in VR 232 at a 50% working interest, Otto's right to participate in new assets or projects under the December 2015 Participation Agreement has been fulfilled.

EXPLORATION (Continued)

ALASKA – WESTERN BLOCKS

Location:	Onshore North Slope Alaska
Area:	92 km ²
Otto's Interest:	22.5% – Great Bear Petroleum Operating (Operator of record)

On 25 June 2018 Otto, along with 88 Energy Limited (ASX:88E) and Red Emperor Resources NL (ASX:RMP) (collectively the “Consortium Partners”), announced they had executed a binding term sheet agreement with Great Bear Petroleum Ventures II LLC (“Great Bear”) to acquire the majority of Great Bear’s working interest in four leases comprising the “Western Blocks” (ADL#s 391718, 391719, 319720 and 391721).

In consideration for acquiring the leases, the consortium partners will undertake the following:

- Provide a performance bond of US\$3.0 million to the State of Alaska by 31 July 2018 (Otto’s share is US\$750,000); and
- Drill an exploration well in the Western Blocks by 31 May 2019.

The consortium partners will provide the following consideration to Great Bear:

- Free carry Great Bear for a 10% working interest in the leases for the drilling, completion and production testing of an initial test well, including all associated costs such as permitting, ice road access and test production disposition;

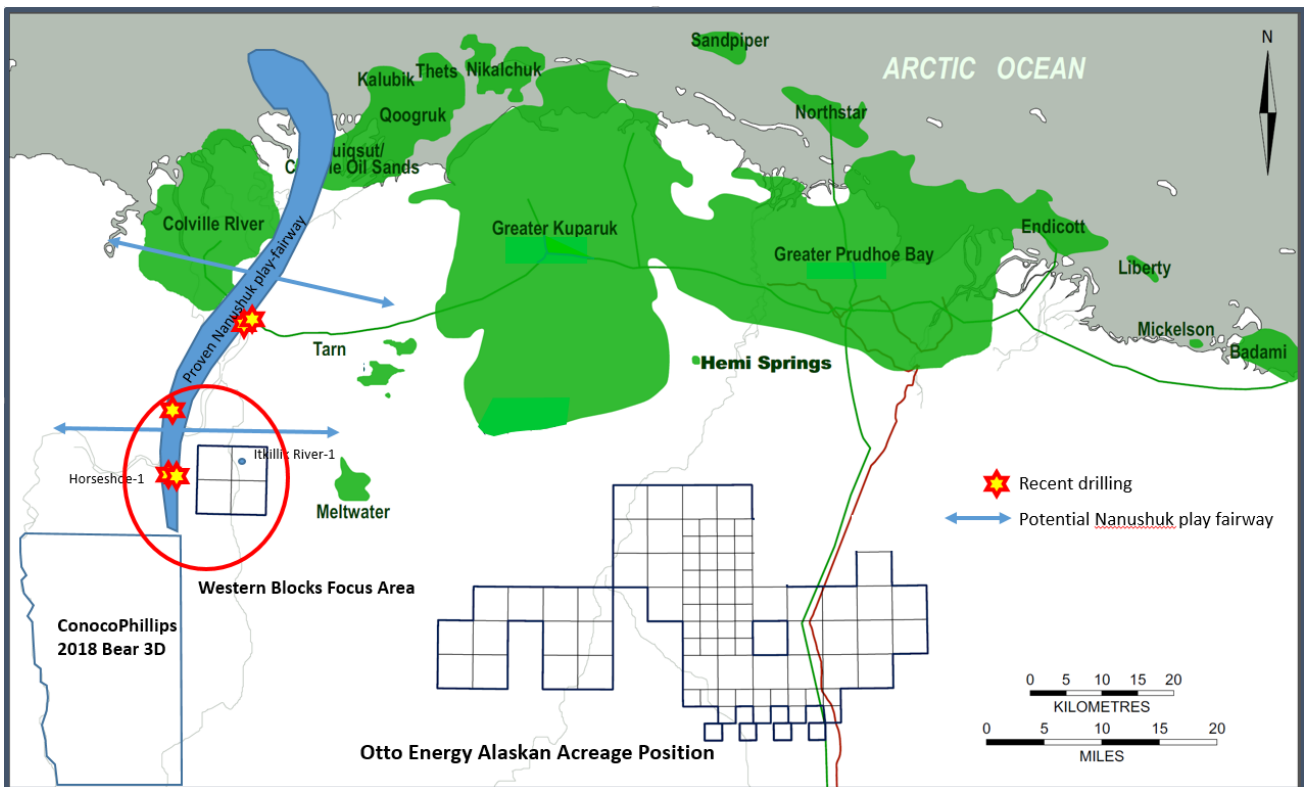
- Pay US\$500,000 upon execution of the definitive agreements;
- Pay US\$500,000 upon receipt of final permits necessary to drill the initial test well, in any case by no later than 31 December 2018; and
- Provide an option for Great Bear to acquire a further 10% working interest prior to the spud of the initial test well by paying its pro-rata share of all costs of the initial test well or if exercised within 6 months of completing the initial test well, by paying 200% of its pro-rata share of all costs of the initial test well.

The relevant interests in the Western Blocks under the commercial agreements are as follows (subject to regulatory approval by the State of Alaska):

The initial test well will satisfy Otto’s first participation obligation under Otto’s Purchase and Development Agreement with Great Bear dated 29 May 2015. Refer to the Otto announcement of 1 October 2015.

	Current Working Interest	Post-transaction			
		Working Interest (before back-in)	Paying Interest (before back-in)	Net Revenue Interest* (before back-in)	Working Interest (after back-in)
Otto Energy	10.8%	22.5%	25.0%	18.75%	20.0%
88 Energy (Drilling Management)	-	36.0%	40.0%	30.00%	32.0%
Red Emperor	-	31.5%	35.0%	26.25%	28.0%
Great Bear Petroleum**	89.2%	10.0%	-	8.33%	20.0%
State of Alaska	-	-	-	16.67%	
	100%	100.0%	100%	100%	100%

*Government royalty of 16.67%. **Currently Operator of record on leases.



Otto holds a working interest in four leases totalling over 22,710 acres located in the heart of the prolific Nanushuk oil fairway. The Horseshoe-1 well, which discovered oil in 2017, is located less than one mile to the west of Otto’s Western Blocks. Horseshoe-1 extended the Nanushuk play fairway by well over 20 miles to the south of previous drilling. Repsol reports** that since 2011 the Company has drilled multiple consecutive discoveries on the North Slope along with partner Armstrong.

Industry sources have indicated contingent recoverable resources discovered to date in the trend could contain over 1.2 billion barrels of oil*. This places the trend as one of the most significant emerging plays on the Alaska North Slope. With ongoing drilling in 2018 it is expected that additional discoveries will be made in this emerging play trend.

The Horseshoe-1 discovery well was drilled by the Repsol-led joint venture in 2017 to a total depth of 6,000 ft. (1,828 meters) and encountered more than 150 ft. of net oil pay in several reservoir zones in the Nanushuk

section. The deviated Horseshoe-1A sidetrack was drilled to a total depth of 8,215 ft. and encountered more than 100 ft. of net oil pay in the Nanushuk interval as well.**

Western Blocks Prospect

Recent in-house technical work conducted by Otto on its Alaska acreage in the Western Blocks has resulted in the identification of an oil prospect with a gross best estimate prospective resource volume of 400 MMbbls and a geological chance of success in the range of 25-30%. The prospective resource calculation was based on a consideration of offset well information (Itkillik River-1 well completion information), seismic expression and a recovery factor of 30%. Otto’s 18.75% net revenue interest (before Great Bear 10% back in – refer table above) in the prospect would be 75 MMbbls. The prospective resource information was first released to ASX on 25 June 2018.

*Repsol and Oil Search (1 November 2017). Note Otto’s Western Blocks are not part of this estimate and there may not be petroleum in the Western Blocks.

**Refer to the Repsol press release of 9 March 2017.



The prospect, identified on modern 3D seismic data obtained through the Alaska Department of Natural Resources, Division of Oil and Gas is illustrated above in the context of the four graticular leases that comprise the Western Blocks in which Otto holds an interest.

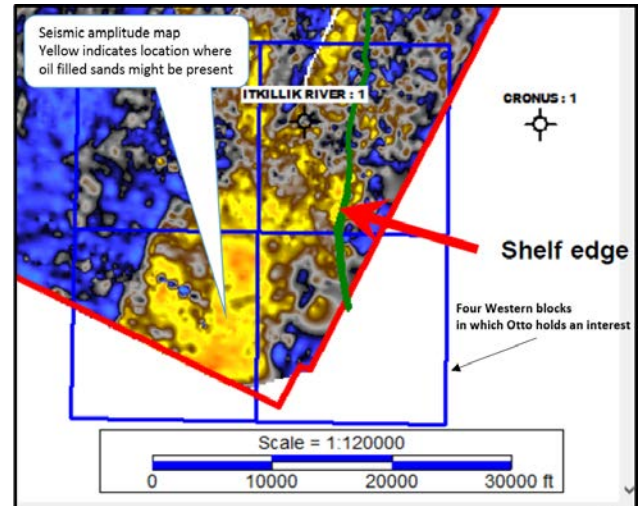
On the abovementioned seismic data the prospect shares many of the positive attributes seen at the Horseshoe-1 discovery* which found light oil reservoir in more than 150ft of net oil sand of the Nanushuk delta sequence.

The discovery at Horseshoe-1 has extended the known accumulation of Nanushuk oil some 20 miles south of earlier discoveries* such as those at Qugruk 8 and Qugruk 301 which flowed 30 degree gravity crude at rates as much as 2,160 and 4,600 bbls/d respectively (Repsol press release 2 June 2015).

The Horseshoe-1 discovery has signalled the presence of an extensive previously overlooked hydrocarbon province which is in now attracting major development capital including the recent acquisition by Oil Search Limited (ASX: OSH) of operatorship of the Pikka Unit and a number of oil exploration assets on the Alaska North Slope.

Exploration success in the Nanushuk play-fairway is now being driven by the understanding that when reservoir quality top set sands are present anomalously high amplitudes are seen on seismic data.

This type of positive amplitude response has also been seen on seismic over the Western Blocks as illustrated above. Otto presently calculates a best estimate gross prospective resource of 400 MMbbls in the prospect area mainly on the basis of this amplitude work.



As can be seen some of the block area to the south is not covered by 3D data and as yet uncalculated upside potential is likely to exist in this area as well.

Further encouragement that the prospect will be found oil bearing is provided by the presence of oil shows seen in the adjacent Itkillik River-1 well drilled in 1978 (from publicly available well data at the Alaska DNR). Here oil was observed during drilling at multiple levels within fine grained sediments.

If 3D data had been available at the time Itkillik River-1 had been drilled, the well would likely have been moved further south to intersect a better reservoir quality and more continuous sand interval. This higher quality sand interval is the key target for the proposed Otto well.

Offtake Options

With the Oil Search operated Pikka unit development activities occurring to the west and the Conoco-Phillips Meltwater unit facility some 10 miles to the east, any oil found within the Western Blocks will find a cost effective, commercially attractive route to market. Project economics will be further enhanced by the shallow nature of the oil pool.

*Refer to the Repsol press release of 9 March 2017.

Drilling Planning

88 Energy Ltd will manage the drilling of the initial test well in the Western Blocks on behalf of the joint venture and consortium partners. 88 Energy has already commenced a rig market survey and is identifying a suitable rig with which to commence the drilling operations. Given that the location is only accessible through an ice road, drilling will be undertaken during the winter operational months once the Alaska North Slope is opened for operations.

The joint venture has met with the Alaska Department of Natural Resources to expedite

required approvals and permits to undertake the initial test well.

Lease Terms

The four North Slope leases comprising the Western Blocks have recently been extended by three years with the term now expiring on 30 April 2021. During this period the joint venture is required to post a US\$3.0 million performance bond and undertake the drilling and testing of an initial test well by no later than 31 May 2019. The leases have an annual rental of US\$10.00 per acre or fraction thereof.

EXPLORATION (Continued)

ALASKA – CENTRAL BLOCKS

Location: Onshore North Slope Alaska
Area: 1,163 km²
Otto’s Interest: 8%-10.8% – Great Bear Petroleum Operating (Operator)

Through its agreements with Great Bear Petroleum Operating (“Great Bear”) in 2015, Otto has between an 8% and 10.8% working interest in 90 leases (covering 287,425 gross acres) held by Great Bear on the Alaskan North Slope (“Central Blocks”).

Great Bear is a private exploration company focused exclusively on exploring and developing conventional and unconventional resources in this highly prospective basin. The leases are 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 including:

- Acquisition and processing of approximately 2,970 km² of 3D seismic data (1,170 km² in 2016);
- Drilling of two unconventional stratigraphic test wells which cored three primary unconventional targets; and

- Drilling of a conventional exploration well (Alkaid-1) which specifically targeted a 3D defined Brookian reservoir. The Alkaid well results are under evaluation.

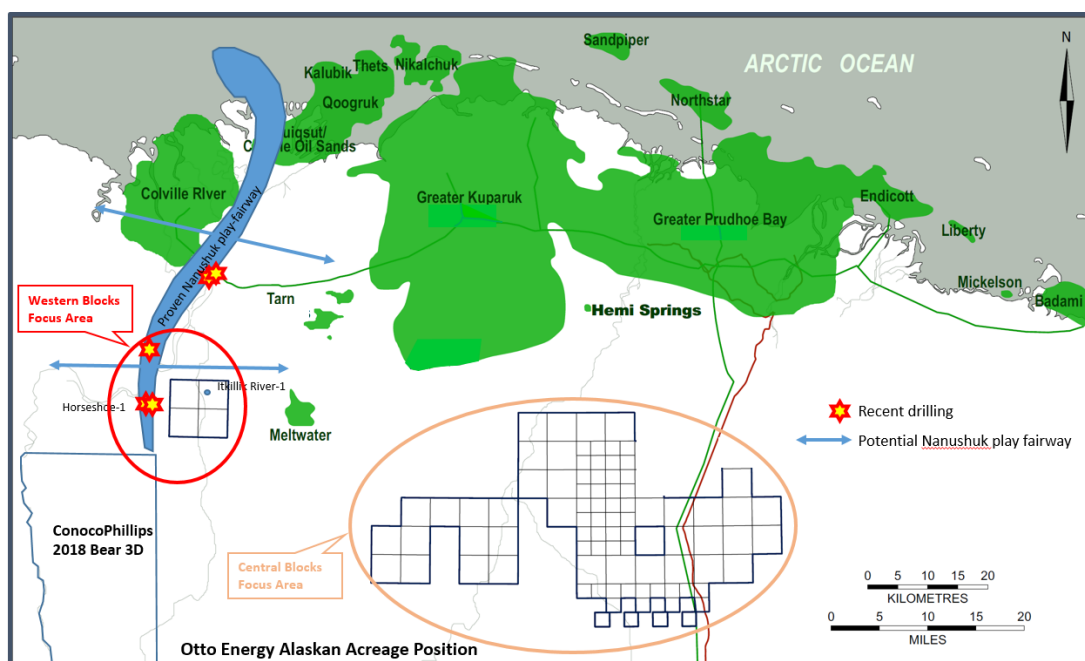
The extensive, modern 3D seismic coverage, existing well control and proximity to the all-weather Dalton Highway and Trans-Alaskan Pipeline System (TAPS) means the acreage is well positioned for exploration.

Existing 3D seismic has allowed development of an extensive prospect portfolio which includes at least 4 well locations.

Otto’s exposure on the first two wells is limited to US\$2.6m/well.

Recent Activity

During the quarter, 42 leases covering 201,713 acres expired or were relinquished. 9 leases covering 51,298 acres in the central blocks that were due to expire in April were renewed. The key prospects have been retained in the 90 leases held after this review and relinquishment process.



CORPORATE

CASH FLOWS

Otto's free cash reserve at the end of the quarter was US\$5.94 million (March 2018: US\$3.30 million). During the June quarter, Otto received US\$7.74 million in cash flows from the sale of March, April and May production from its 50% owned SM 71 oil field in the Gulf of Mexico, before the payment of royalties. June month production cashflows of US\$4.00 million (before royalties) have been received in July 2018.

BOARD APPOINTMENT

On 24 April Mr Paul Senyca, Otto Vice President, Exploration and New Ventures, was appointed to the Board as an Executive Director.

Paul joined Otto in 2010 as Exploration Manager, and since 2015 has led the Company's technical operations. Paul has been instrumental in the implementation of Otto's US strategy and was closely involved in the successful farm-in to SM 71 in the Gulf of Mexico, which recently moved into production.

A seasoned oil and gas professional, trained as an exploration geoscientist, Paul has over 35 years of international oil and gas experience in both commercial and technical aspects of the business. This was gained with large and small companies worldwide including Shell, Woodside and Beach Petroleum. Over the last twenty years Paul has accumulated substantial Gulf of Mexico expertise both on the shelf and in the deep water. This has included deal capture, asset management and project divestment activities. Outside the Gulf of Mexico, Paul has worked in Europe, Asia, Africa and Australasia both on and offshore.

HOUSTON OFFICE

The Company has completed the establishment of its Houston office and appointment of a US-based technical team. With the Company's Gulf of Mexico business now successfully producing for more than three months from the SM 71 field, Otto is focused on accelerating its identification of additional attractive opportunities to grow its production.

Managing Director Matthew Allen will be relocating to Houston in late July to lead the team. In addition, Otto is pleased to announce the following technical appointments in Houston:

- Will Armstrong – Vice President, Exploration and New Ventures
- Philip Trajanovich – Senior Commercial Manager
- Mark Sunwall – Senior Exploration Consultant
- Kevin Small – Senior Exploration Consultant

The exploration team will be led by Will Armstrong, who has more than 30 years of experience across the Gulf of Mexico. Will's exploration work has seen the drilling of 162 prospects across his career at a commercial success rate in excess of 66%. Full background information on the team can be found in the appendices to this release.

The exploration team have been engaged as consultants inside the Otto business for the last 6 months. This has involved the screening of a number of prospects and investment opportunities. As a result of this consulting work, and past experience, the exploration team are very familiar with the Company's current portfolio, screening criteria and focus area for potential prospects.

In addition, Otto has opened its office location in Two Allen Center in Houston Downtown. The technical team have been establishing this office and it is now fully functional for Otto's future plans.

CORPORATE (Continued)**SHAREHOLDERS****Otto's issued capital as at 30 June 2018:**

Class	Number
Fully paid ordinary shares	1,530,928,490
Convertible Notes ¹	8,200,000
Options	-
Performance Rights	18,827,000

Otto's Top 20 Holders as at 30 June 2018:

Rank	Name	Units	% of Units
1	Molton Holdings Limited	305,859,697	19.98%
2	Perennial Value Management	121,570,843	7.94%
3	J P Morgan Nominees Australia Limited	70,314,700	4.59%
4	BNP Paribas Nominees Pty Ltd	44,210,560	2.89%
5	CVC Limited	39,600,000	2.59%
6	Citicorp Nominees Pty Limited	35,052,623	2.29%
7	John Jetter (Consolidated Relevant Interest)	19,446,318	1.27%
8	HSBC Custody Nominees (Australia) Limited	16,992,283	1.11%
9	National Nominees Limited	14,675,833	0.96%
10	DBS Vickers Securities (Singapore) Pte Ltd	14,020,833	0.92%
11	Merrill Lynch (Australia) Nominees Pty Limited	10,596,104	0.69%
12	Sphinx Holdings Ltd	10,152,361	0.66%
13	Mr Austin Sydney Evan Miller	10,000,000	0.65%
14	Mr Andrew McCrea Coulter & Mrs Sally Anne Travis	7,958,572	0.52%
15	Debuscey Pty Ltd	7,823,326	0.51%
16	Tintern (Vic) Pty Ltd	7,518,232	0.49%
17	Mr Brian Lesleigh Williams & Mrs Valerie Ruby Dawn Williams	7,450,000	0.49%
18	Mr Matthew Gerard Allen	6,900,000	0.45%
19	Forsyth Barr Custodians Ltd	6,875,832	0.45%
20	Neweconomy Com Au Nominees Pty Limited	6,750,396	0.44%
Total Top 20 Shareholders		763,768,513	49.89%
Total Remaining Shareholders		767,159,977	50.11%
Total Shares on Issue		1,530,928,490	100.00%

1. Convertible notes have a face value of US\$1.00, are convertible at A\$0.055 and mature on 30 June 2019. Refer to the Notice of Meeting released to ASX on 23 June 2017 for more details.

OTTO AT A GLANCE

- ASX-listed company with significant oil production in the Gulf of Mexico
- Drilling success in April 2016 and subsequent development saw Otto return to production in March 2018
- Growth to be delivered through carefully selected high-impact exploration in the Gulf of Mexico
- Focus on proven, prolific hydrocarbon basins with well-developed route to market
- Team have demonstrated delivery of shareholder value through oil and gas projects

DIRECTORS

John Jetter - Non-Executive Chairman
 Matthew Allen - Managing Director & CEO
 Ian Boserio - Non-Executive
 Ian Macliver - Non-Executive
 Paul Senyca - Executive Director & Vice President,
 Exploration and New Ventures

Chief Financial Officer & Company Secretary:
 David Rich

ASX Code: OEL

CONTACTS

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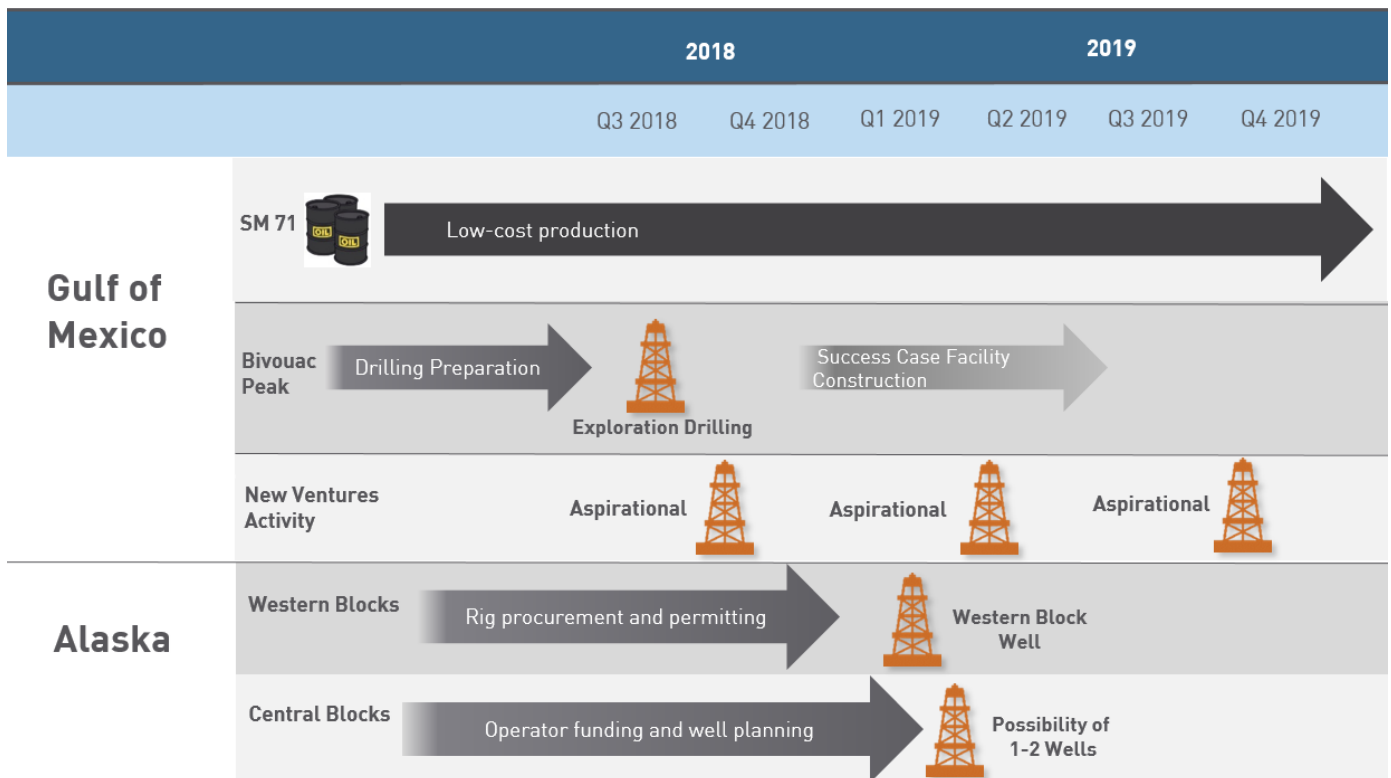
MEDIA

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Pipeline of Opportunities



Definitions

- "\$m" means USD millions of dollars
- "bbl" means barrel
- "bbls" means barrels
- "bopd" means barrels of oil per day
- "Mbbl" means thousand barrels
- "Mscf" means 1000 standard cubic feet
- "NGLs" means natural gas liquids
- "Mboe" means thousand barrels of oil equivalent ("BOE") with a BOE determined using a ratio of 6,000 cubic feet of natural gas to one barrel of oil – 6:1 conversion ratio is based on an energy equivalency conversion method and does not represent value equivalency
- "MMscf" means million standard cubic feet
- "MMboe" means million barrels of oil equivalent ("BOE") with a BOE determined using a ratio of 6,000 cubic feet of natural gas to one barrel of oil – 6:1 conversion ratio is based on an energy equivalency conversion method and does not represent value equivalency
- "MMbtu" means million British thermal units

Competent Persons Statement

The information in this report that relates to oil and gas resources in relation to the Alaska Western Blocks was compiled by Mr Paul Senycia 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.

The information in this report that relates to oil and gas resources in relation to VR 232 in the Gulf of Mexico was compiled by technical employees of Byron Energy Inc, the Operator of VR 232, and subsequently reviewed by Mr Paul Senycia 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 Senycia is an 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 Senycia. Mr Senycia 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 SM 71 and Bivouac Peak is based on information compiled by technical employees of independent consultants Collarini Associates, under the supervision of Mr Mitch Reece BSc PE. Mr Reece is the President of Collarini 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 is 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.

Prospective Resources

Prospective resource estimates in this report for SM 71 and Bivouac Peak are prepared as at 30 June 2017. Refer to the ASX releases of 28 September 2017 and 9 July 2018. Prospective resource estimates in this report for the Alaska Western Blocks are prepared as at 30 April 2018. Refer to the ASX release of 25 June 2018. The prospective resource information in this document for VR 232 is effective as at 19 June 2018. Refer to the ASX release of 19 June 2018.

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. The prospective resource estimates have been prepared using the deterministic method. The prospective resources information in this document is reported according to the Company's economic interest in each of the resources and net of royalties. The prospective resources information in this document has been estimated using a 6:1 BOE conversion ratio for gas to oil; 6:1 conversion ratio is based on an energy equivalency conversion method and does not represent value equivalency. 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.

Prospective Resources Cautionary Statement

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 appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

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.

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, 01/05/13, 01/09/16

Name of entity

Otto Energy Limited

ABN

56 107 555 046

Quarter ended ("current quarter")

30 June 2018

Consolidated statement of cash flows	Current quarter US\$'000	Year to date (12 months) US\$'000
1. Cash flows from operating activities		
1.1 Receipts from customers (net of royalties)*	6,300	6,300
1.2 Payments for		
(a) exploration & evaluation	(237)	(4,080)
(b) development	(2,043)	(20,916)
(c) production	(238)	(238)
(d) staff costs	(343)	(1,671)
(e) administration and corporate costs	(982)	(2,552)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	17	158
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	(2)
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	267	152
1.9 Net cash from / (used in) operating activities	2,741	(22,849)

*Receipts of US\$7,747,000 less royalties of US\$1,447,000.

Consolidated statement of cash flows	Current quarter US\$'000	Year to date (12 months) US\$'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(91)	(91)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	2	2
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(89)	(89)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	9,166
3.2 Proceeds from issue of convertible notes	-	8,200
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(667)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	-	16,699

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (12 months) US\$'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,303	12,199
4.2	Net cash from / (used in) operating activities (item 1.9 above)	2,741	(22,849)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(89)	(89)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	16,699
4.5	Effect of movement in exchange rates on cash held	(10)	(15)
4.6	Cash and cash equivalents at end of period	5,945	5,945

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		Current quarter US\$'000	Previous quarter US\$'000
5.1	Bank balances	5,945	3,303
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,945	3,303

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter US\$'000
230
-

Directors fees including superannuation where applicable

	<u>US\$'000</u>
Executive Directors	174
Non-Executive Directors	<u>56</u>
Total	<u>230</u>

7. Payments to related entities of the entity and their associates	Current quarter US\$'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end US\$'000	Amount drawn at quarter end US\$'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (Convertible Notes)	8,200	8,200
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

On 2 August 2017 the Company issued convertible notes to Molton Holdings Limited, a major Otto shareholder (US\$8 million), and Mr John Jetter, Otto's Chairman (US\$0.2 million). The interest rate is 14% plus a success fee. The notes are secured and the Maturity Date is 30 June 2019. Key terms of the convertible notes are set out in the Notice of Meeting released to ASX on 23 June 2017.

Under the terms of the convertible notes, 50% of net proceeds from SM 71 (after all costs) are only to be used for SM 71 purposes or repayment of amounts outstanding under the convertible note until the total equals the value of the convertible notes and interest outstanding. As at 30 June 2018 the accumulated amount usable only for SM 71 purposes or repayment of amounts in relation to the convertible notes was US\$2.7 million of the US\$5.9 million cash on hand.

9. Estimated cash outflows for next quarter	US\$'000
9.1 Exploration and evaluation	4,702
9.2 Development	1,211
9.3 Production	699
9.4 Staff costs	683
9.5 Administration and corporate costs	667
9.6 Other (Alaska Bond)	750
9.7 Total estimated cash outflows	8,712

Note that Otto expects to receive substantial proceeds from sales of production during the coming quarter from its 50% owned SM 71 oil field.

Mining exploration entity and oil and gas exploration entity quarterly report

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2	Interests in mining tenements and petroleum tenements acquired or increased				

Note that Bivouac Peak and VR 232 are rights to earn in to leases and not yet interests in leases so wont be included in the above until the earn-in has occurred and the lease interest transferred.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



Date: 25 July 2018

CFO & Company Secretary

Print name: David Rich

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, 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. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.