

QUARTERLY REPORT

THREE MONTHS ENDED 30 SEPTEMBER 2018

QUARTERLY HIGHLIGHTS FOR OTTO ENERGY LIMITED (ASX:OEL)

PRODUCTION

- Otto's oil and gas sales for the quarter totalled 166,298 bbls of oil and 177,802 Mcf of gas
- Otto received cash from sales of its share of oil and gas for the quarter of US\$12.2 million before royalties and operating costs
- F2 well was successfully recompleted in the F55 sand

EXPLORATION – LOUISIANA, GULF OF MEXICO:

- Otto farmed in to an eight well Gulf Coast conventional drilling package with Hilcorp
- Lightning - site works being done in preparation for drilling in the December quarter
- Big Tex – despite encountering significant mudlog shows during drilling, was plugged and abandoned after encountering an insufficient producible reservoir
- Bivouac Peak drilled, plugged and abandoned well ahead of budget

EXPLORATION – ALASKA NORTH SLOPE:

- Rig contract executed in preparation for drilling the exciting Winx-1 well in February 2019

CORPORATE:

- Closing cash balance of US\$14.2 million (A\$19.7 million)
- Received proceeds of US\$ 12.2 million in the quarter from SM 71 sales (June, July and August production before royalties) which is US\$ 9.9 million net of royalties
- Successfully raised A\$20 million through a placement and accelerated rights issue

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.
- Texas, Gulf Coast: Lightning to commence drilling with Hilcorp.
- Alaska: Continue preparations for the drilling of Winx-1 in February 2019.
- Continue to identify and secure new business opportunities in the Gulf of Mexico.

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") the operator, holding an equivalent WI and NRI. Water depth in the area is approximately 137 feet.

Oil and gas production from the SM 71 F platform began in late March 2018 from two wells with the third well coming on line in early April. The F1 and F3 wells are completed in the primary D5 Sand reservoir and the F2 well was completed in the B65 Sand.

Having produced a significant volume of oil and gas from the SM 71 D5 reservoir and consequently collected a large volume of data associated with this production, the Operator has a better understanding of some of the more subtle characteristics of the reservoir.

Over the first couple of weeks of September 2018, gas production slowly increased to 6.0 mmcf/d, due to preferential flow, and the oil decreased to stabilized rates of 3,600 bopd on a gross basis. Daily hydrocarbon production lowered the reservoir pressure below bubble point which is consistent with the original assumptions made by both the Operator and Collarini that the D5 reservoir is a combination gas expansion/water drive reservoir. In mid-September, Byron shut in the SM 71 F1 well due to platform maintenance. This was the first time either well has been shut in since mid-May.

During the shut in of the F1 well, an almost immediate increase in the calculated reservoir pressure at the F3 well was measured, providing further evidence that the two wells are clearly connected and further confirms Byron's original interpretation of the seismic anomaly. As part of routine reservoir management further downhole pressure work is currently planned on for both the F1 and F3 wells in November 2018. The goal is to maximise the ultimate recovery from the reservoir and this downhole pressure

work is an important part of the production process.

B65 Sand (F2 well)

As previously reported in early July, the F2 well was shut in to analyse the pressure build-up of the well and was brought back online on 2 July 2018. After flowing for approximately 8 hours, the F2 well ceased production of hydrocarbons and was been shut in. It is currently interpreted that the F2 wellbore penetration is locally isolated from a potentially larger B65 mapped reservoir.

The SM71 F2 well has two remaining hydrocarbon zones, the B55 and J1 Sands with 50,000 to 100,000 barrels expected to be recovered from each zone.

Recompletion operations on the SM 71 F2 well commenced late in September 2018, using a liftboat. This was completed in mid-October 2018 and operations on the platform returned to normal. For further details, see Byron's ASX announcement dated 17 October 2018.

The B65 Sand is one of many focus areas of the seismic processing project the Operator, Byron, is undertaking with Schlumberger's subsidiary WesternGeco to help determine the placement of future wells.

During the quarter the Operator provided the annual reserves statement completed by Collarini and this was released to ASX by the Company on 6 August 2018 and is included in the annual report.

For the quarter ended 30 September 2018

Production Volumes	Prior Quarter	Current Quarter	% change	Comment
Gross (100%)				
SM 71 – Oil (bbls)	330,239	324,597	-2%	Production commenced 23 March 2018 from F1. F2 commenced 25 March 2018. F3 commenced on 6 April 2018. F2 ceased production of B65 reservoir on 2 July 2018. F2 being recompleted in B55 reservoir.
SM 71 – Oil (bopd)	3,629	3,528	3%	
SM 71 – Gas (Mscf)	228,896	355,605	55%	
Otto WI Share (50%)				
SM 71 – Oil (bbls)	165,120	162,298	-2%	
SM 71 – Oil (bopd)	1,815	1,764	-3%	
SM 71 – Gas (Mscf)	114,448	177,802	55%	
Otto NRI Share (40.625%)				
SM 71 – Oil (bbls)	134,160	131,868	-2%	
SM 71 – Oil (bopd)	1,474	1,433	-3%	
SM 71 – Gas (Mscf)	92,989	144,464	55%	

Sales Revenue – Otto 50% WI share (before royalties) USD	Prior Quarter	Current Quarter	% change	Comment
SM 71 – Oil - \$'million	10.770	11.17	4%	
SM 71 – Oil - \$ per bbl	65.23	68.82	5%	
SM 71 – Gas - \$'000	427	615	44%	
SM 71 – Gas - \$ per MMbtu	\$3.43	\$3.17	-8%	

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. Average 1 Mscf = 1.09 MMbtu for the quarter for SM 71 production. The thermal content of SM 71 gas may vary over time.

EXPLORATION

LOUISIANA & TEXAS/GULF OF MEXICO – HILCORP EIGHT WELL PROGRAM

Location: Onshore/Near Shore Texas and Louisiana, Gulf of Mexico
Otto's Working Interest: 37.50% - Hilcorp Energy (62.50% and Operator)

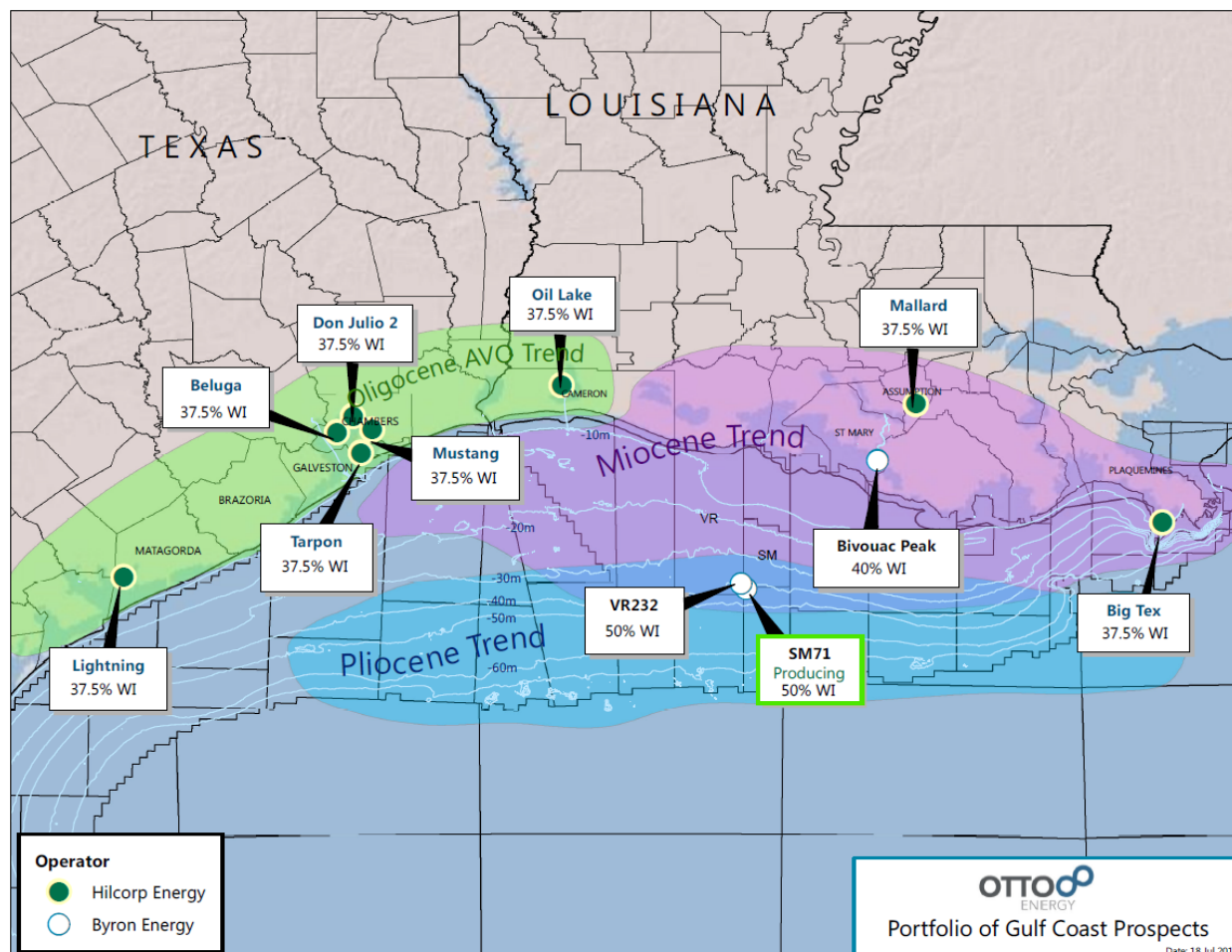
On 31 July 2018 Otto announced that it had entered into a joint venture with Hilcorp Energy which will see it earn a 37.5% working interest in an eight well portfolio of prospects in the Onshore/Near Shore USA Gulf Coast (Gulf of Mexico). The wells will be drilled by Hilcorp, a highly experienced, privately-owned operator based in Houston, over the next 12 - 15 months.

The first well on the program, Big Tex, has been drilled. Refer to the end of this section for details on the Big Tex well.

Details of the Agreement

Under a Joint Exploration and Development Agreement (JEDA) with Hilcorp Energy, Otto has committed to an eight well drilling program with an estimated cost of US\$75 million (100%).

Otto will earn a 37.5% working interest by paying 50.0% of the costs of drilling and either setting casing or plugging and abandoning the well plus lease acquisition costs at each of the eight prospects. The estimated cost of the commitment to Otto is US\$37.5 million. US\$4 million was paid immediately to cover initial land and other costs.



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Well Cap - Otto has the option to discontinue participation in each prospect well if actual costs exceed the approved expenditure budget by 20%. If Otto elects to not continue, it will forfeit rights to that prospect. If Otto proceeds, costs from then on will be at working interest percentages.

Program Cap - Once Otto has incurred a total amount relating to the initial eight wells of US\$42.5m, it will have the option to elect (but not the obligation) to participate in the remaining undrilled prospects in the initial eight well program at working interest percentages. If Otto elects to not participate in any undrilled prospects, it will forfeit rights in those prospects.

Additional Upside

Should either the Tarpon or Mustang prospects be successful then Otto has ground floor rights (ie pays only its working interest) to participate in the nearby Damsel and Corsair/Hellcat opportunities. These wells are in addition to the eight wells.

Under the JEDA Otto has a right of first offer to a subsequent Gulf Coast program, if Hilcorp elect to offer such a program to third parties.

About Hilcorp Energy

Founded in 1989, Hilcorp is one of the largest privately held oil and natural gas companies in North America. Hilcorp specializes in reinvigorating legacy oil and gas fields across North America; including in the US Gulf Coast, Alaska and the Rockies and currently produces approximately 325,000 boepd. To put this into context, Australia's largest oil and gas company, Woodside, produces ~230,000 boepd.

Hilcorp has nearly 2,000 employees and has been consistently recognized for its strong culture, values and ethics both within the firm and in the communities in which it operates.

Otto is very pleased to be partnering with a Gulf Coast operator with proven capability to take exploration prospects into production.

Details of the Drilling Program

Information on the next seven wells as at the date of the farm in (31 July 2018) is set out below.

Prospect Name	Planned Spud Date	Target Depth (TVD), ft	Rig Type	Working Interest (WI)	Net Revenue Interest (NRI)	Stratigraphic Interval	County/ Parish	Location
Lightning	Nov-18	14,500	Land	37.50%	28.50%	Frio Tex Miss	Matagorda	Texas
Don Julio 2	Dec-18	11,500	Land	37.50%	28.50%	Oligocene	Chambers	Texas
Mustang	Jan-19	17,500	Land	37.50%	30.00%	Oligocene	Chambers	Texas
Beluga	May-19	13,000	Barge	37.50%	28.50%	Oligocene	Galveston Bay	Texas
Oil Lake	Jul-19	14,500	Land	37.50%	29.06%	Frio	Cameron	Louisiana
Tarpon	Jul-19	14,000	Barge	37.50%	29.06%	Oligocene	Galveston Bay	Texas
Mallard	Nov-19	11,000	Barge	37.50%	29.63%	Mid Miocene	Assumption	Louisiana

Prospective Resources

The range of prospective resources for the next seven prospects is set out below.

Prospect Name	Working Interest	Net Revenue Interest	Probability of Success	Prospective Resources ¹ MMboe							
				100%				Otto Net Revenue Interest			
				P90	P50	Mean	P10	P90	P50	Mean	P10
Lightning	37.50%	28.50%	45%	0.9	3.2	4.4	10.1	0.3	0.9	1.3	2.9
Don Julio 2	37.50%	28.50%	44%	0.7	2.5	4.0	9.6	0.2	0.7	1.1	2.7
Mustang	37.50%	30.00%	56%	2.9	6.7	8.5	16.8	0.8	1.9	2.6	4.8
Beluga	37.50%	28.50%	45%	0.8	2.9	4.7	11.2	0.2	0.9	1.3	3.4
Oil Lake	37.50%	29.06%	45%	1.2	3.3	4.4	9.3	0.3	1.0	1.3	2.7
Tarpon	37.50%	29.06%	34%	7.7	24.0	35.6	81.0	2.2	7.0	10.3	23.5
Mallard	37.50%	29.63%	64%	0.2	0.9	3.3	4.5	0.1	0.3	1.0	1.3

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.

Risk Summary data - 8 Well Portfolio, Gross (8/8ths)

Portfolio-level risk information for the eight well portfolio is set out below. These are probabilistic additions of each prospect's expectation curve, using a monte carlo approach. Refer to the ASX release on 31 July 2018 for further information on these calculations.

Metric	P90	P50	P10
Volumes, MMBOE	4.63	19.86	64.59
Peak Production Rate, BOE/d	3,270	9,990	31,300
% Hydrocarbon Liquids per BOE	13%	28%	56%
Finding cost, US\$/BOE	\$13.62	\$3.18	\$0.98
Finding & Development cost, US\$/BOE	\$16.40	\$5.51	\$2.56

Big Tex Well

The initial exploration well on the Big Tex prospect, SL 192 PP 031, commenced on 28 August 2018 and reached a final total depth of 13,722ft MD (13,172ft TVD). A triple combo wireline logging suite was subsequently acquired over the target prospective Middle Miocene Tex W16 and Tex W18 Sand intervals

as well as several sidewall cores. Petrophysical log evaluation indicated the presence of a number of hydrocarbon bearing zones, however insufficient producible reservoir was encountered to justify the additional cost of completing the well for production. The Joint Venture elected to plug and abandon the SL 192 PP 031 well as sub-commercial on 12 October 2018.

EXPLORATION (Continued)

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)

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 at a 40% working interest. Otto's commitment was to pay 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 would revert back to paying 40% of all future costs.

Drilling of the Weiss-Adler, et. al. No. 1 well by the Parker 77B rig commenced on 25 of August 2018.

The well was drilled to a depth of 17,766 feet Measured Depth ("MD") and wireline logs including a sonic (P&S wave), neutron/density, gamma ray and resistivity tools were run and evaluated. The operator generated a synthetic seismogram to confirm the tie to the seismic data to ensure the well has been drilled to a depth sufficient to test the two objectives. Petrophysical evaluation of the porosity and sonic logs indicates the first objective to be a

water bearing sand and the second objective a set of thinner, tight, gas bearing sands and shales with less than 5 net feet of conventionally logged hydrocarbons.

Byron determined that the objectives had been penetrated, and the prospect has been fully tested.

The well was deemed uncommercial and on 11 October 2018 all joint venture partners elected to plug and abandon the well which has since occurred.

Otto has earned its 40% working interest as a result of participating in the drilling of the initial test well.

The data collected from the Weiss-Adler #1 well will be used by the Operator to further evaluate the prospectivity of the surrounding area and to gain a greater understanding of the adjacent Bivouac Peak Deep Prospect.

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 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.

EXPLORATION (Continued)

ALASKA – WESTERN BLOCKS

Location: Onshore North Slope Alaska
Area: 92 km²
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). Refer to the ASX release of 25 June 2018 for further details.

During the quarter definitive agreements were signed giving effect to the above terms sheet and a rig contract was signed for the drilling of Winx-1.

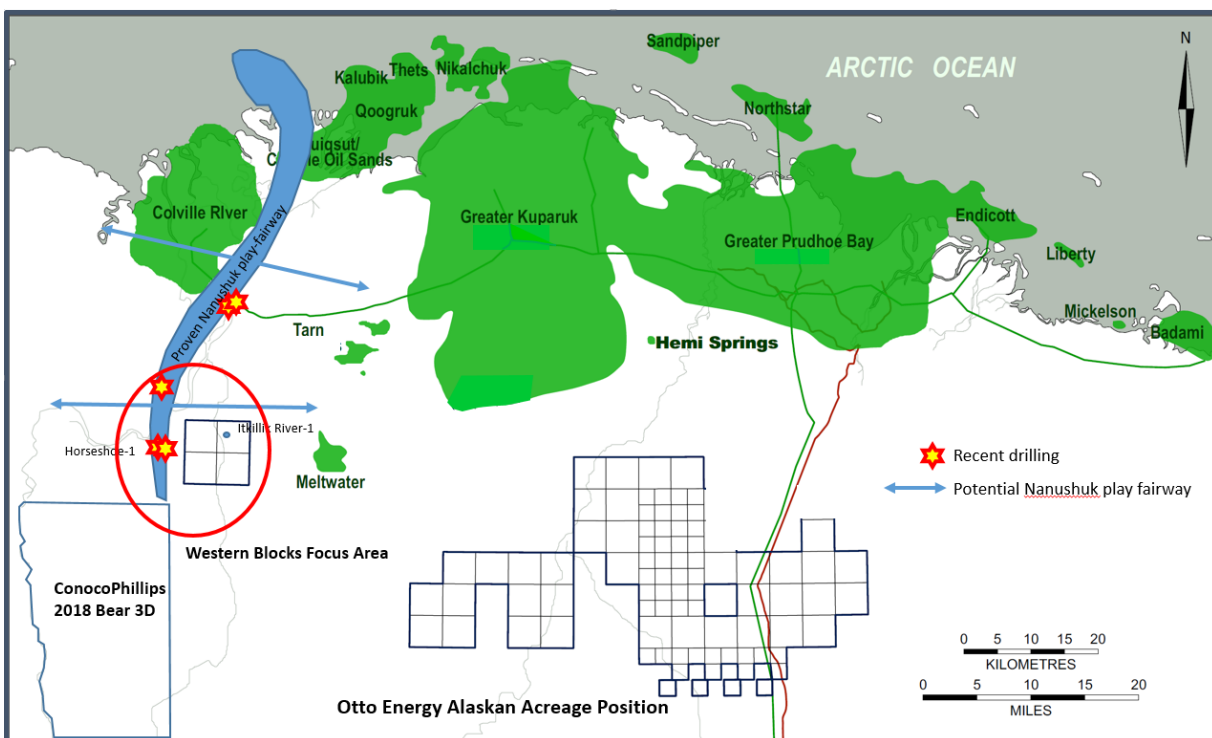
The rig contract is with Nordic-Calista Services utilising Rig 3, which is a single module, self-propelled drilling rig, capable of drilling to depths of 12,000’ – 14,500’.

The Winx Prospect is a 3D seismic defined oil prospect in the successful Nanushuk play fairway with a gross mean unrisks prospective resource of 400MMbbls (75MMbbls net to Otto). Refer to the ASX release of 25 June 2018 for further details.

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

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EXPLORATION (Continued)

ALASKA – CENTRAL BLOCKS

Location:	Onshore North Slope Alaska
Area:	1,163 km ²
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 Great Bear agreed to sell its share of 17 leases to Burgundy Xploration LLC and Accumulate Energy Alaska Inc. (wholly owned subsidiary of 88 Energy Limited). Otto elected to "tag along", hence agreeing to sell its working interest in the 17 leases.

Once all the assignments are executed and submitted to DNR, Burgundy will pay Otto US\$6,053.81 as the purchase price for the leases.

Otto maintains the key prospectivity identified in the Central Blocks.

CORPORATE

CASH FLOWS

Otto's cash on hand at the end of the quarter was US\$14.2 million (June 2018: US\$5.94 million). During the September quarter, Otto received US\$12.2 million in cash flows from the sale of June, July and August production from its 50% owned SM 71 oil field in the Gulf of Mexico, before the payment of royalties. September month production cashflows of US\$3.6 million (before royalties) have been received in October 2018.

CAPITAL RAISING

During the quarter the Company completed a capital raising of A\$20 million through a placement and accelerated entitlement offer as set out below.

The Placement raised a total of A\$10m through the issue of approximately 169.5 million shares at A\$0.059 per share.

The Institutional Entitlement Offer raised a total of A\$3m through the issue of approximately 51.6 million shares at A\$0.059 per share with a take up of 34%.

The Institutional Entitlement Offer shortfall was strongly oversubscribed by institutional shareholders. Shares issued under the placement and Institutional Entitlement Offer were allotted and commenced trading on 10 August 2018.

The retail component of the Entitlement Offer provided eligible retail shareholders in Otto the opportunity to acquire 1 new share for every 9 shares held at the record date of 7.00pm (AEST) on 2 August 2018.

A\$5.5 million (78%) of Entitlements were taken up leaving a Shortfall of A\$1.5 million. A further A\$6.0 million in subscriptions were received for Additional New Shares which was A\$4.5 million in excess of the Shortfall of A\$1.5 million, therefore the A\$4.5 million was refunded. The basis of the scale back will be determined pro-rata to the shareholder's entitlement as at the Record Date. Accordingly, given the Retail Entitlement Offer was oversubscribed, there was no allocation to underwriters.

A total of A\$7 million was raised from the Retail Entitlement Offer through the issue of 118.5 million shares at A\$0.059 per share. Shares issued under the Retail Entitlement Offer were allotted and commenced trading on 29 August 2018.

Morgans Corporate Limited acted as lead manager and underwriter to the entitlement offer with Allens acting as legal advisor.

For further information on the capital raising refer to the ASX releases on 31 July 2018 and 7 August 2018.

CORPORATE (Continued)

SHAREHOLDERS

Otto's issued capital as at 30 September 2018:

Class	Number
Fully paid ordinary shares	1, 870,525,612
Convertible Notes ¹	8,200,000
Options	-
Performance Rights	18,827,000

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

Rank	Name	Units	% of Units
1	Molton Holdings Limited	305,859,697	16.35%
2	Perennial Value Management	116,944,230	6.25%
3	Citicorp Nominees Pty Limited	100,145,108	5.35%
4	J P Morgan Nominees Australia Limited	88,936,439	4.75%
5	BNP Paribas Nominees Pty Ltd ←IB AU NOMS RETAILCLIENT DRP→	54,240,711	2.90%
6	National Nominees Limited	43,895,109	2.35%
7	AMP Life Limited	33,583,462	1.80%
8	Safari Capital Pty Ltd	28,657,138	1.53%
9	National Nominees Limited ←DB A/C→	25,765,970	1.38%
10	John Jetter (Consolidated Relevant Interest)	21,607,020	1.16%
11	Nero Resource Fund Pty Ltd	18,949,153	1.01%
12	HSBC Custody Nominees (Australia) Limited	18,377,149	0.98%
13	DBS Vickers Securities (Singapore) Pte Ltd	14,020,833	0.75%
14	Mr Austin Sydney Evan Miller	12,203,389	0.65%
15	CS Fourth Nominees Pty Ltd	12,110,478	0.65%
16	Ecapital Nominees Pty Ltd	11,939,474	0.64%
17	Sphinx Holdings Ltd	9,126,587	0.49%
18	Debuscey Pty Ltd	8,501,292	0.45%
19	Merrill Lynch (Australia) Nominees Pty Limited	8,253,661	0.44%
20	Forsyth Barr Custodians Ltd	8,193,899	0.44%
Total Top 20 Shareholders		941,310,799	50.32%
Total Remaining Shareholders		929,214,813	49.68%
Total Shares on Issue		1,870,525,612	100.00%

1. Convertible notes have a face value of US\$1.00, are convertible at A\$0.05484 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 the drilling of seven high-impact exploration wells in the Gulf of Mexico over the next year and a large prospect in Alaska in February 2019
- 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

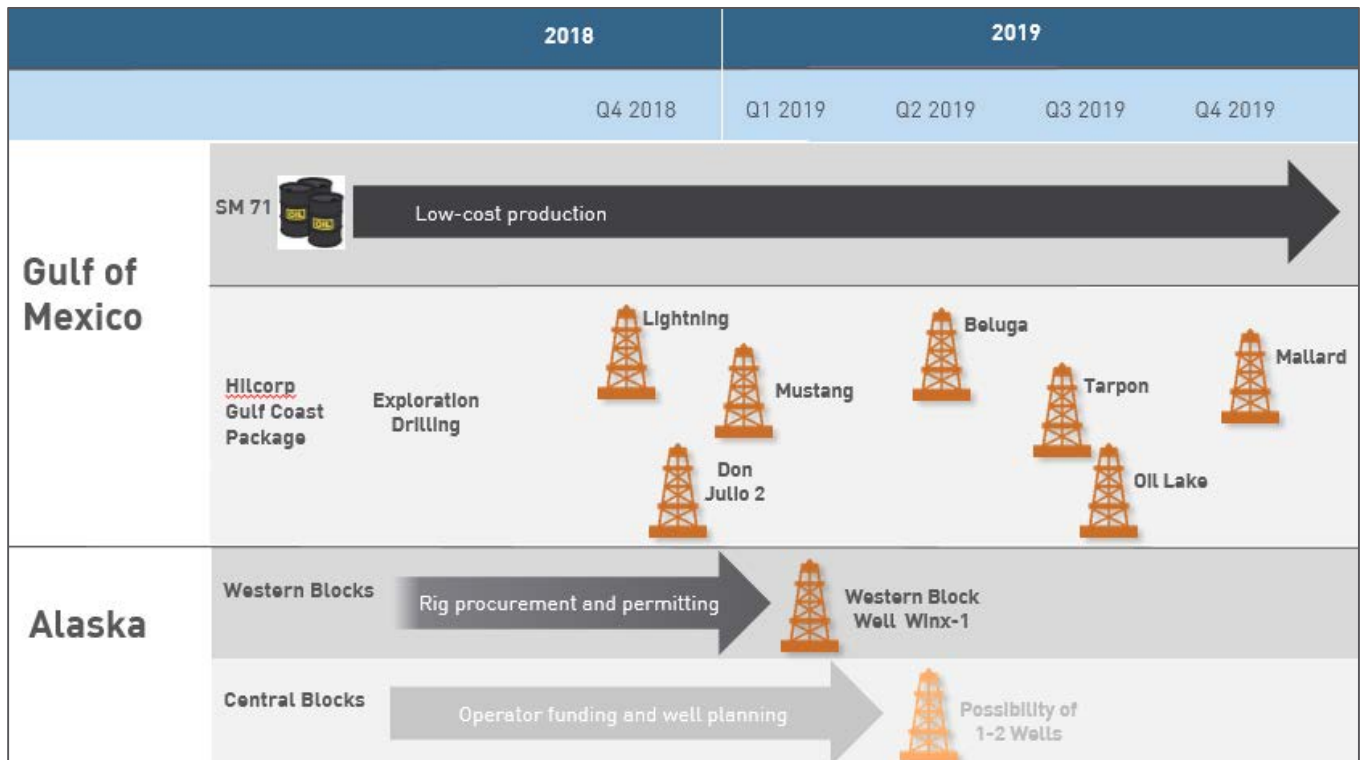
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Pipeline of Opportunities



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 Will Armstrong BS in Geology, MS in Geology (Applied 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 the Gulf Coast Package in the Gulf of Mexico was compiled by technical employees of Hilcorp Energy Company, the Operator of the Gulf Coast Package, and subsequently reviewed by Mr Will Armstrong BS in Geology, MS in Geology (Applied Geophysics), who has consented to the inclusion of such information in this report in the form and context in which it appears.

Mr Armstrong 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 Armstrong. Mr Armstrong 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

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.

Prospective Resources

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 prospective resource information in this document in relation to the Gulf Coast Package in the Gulf of Mexico is effective as at 30 June 2018. Refer to the ASX release of 31 July 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 except for the Gulf Coast Package in the Gulf of Mexico which is prepared using the probabilistic 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.

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

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 September 2018

Consolidated statement of cash flows	Current quarter US\$'000	Year to date (3 months) US\$'000
1. Cash flows from operating activities		
1.1 Receipts from customers (net of royalties)*	9,944	9,944
1.2 Payments for		
(a) exploration & evaluation	(11,589)	(11,589)
(b) development	(570)	(570)
(c) production	(898)	(898)
(d) staff costs	(526)	(526)
(e) administration and corporate costs	(930)	(930)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	20	20
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	3	3
-Refundable security deposit 88 Energy Alaska	(750)	(750)
1.9 Net cash from / (used in) operating activities	(5,296)	(5,296)

*Receipts of US\$12,225,942 less royalties of US\$2,281,930.

Consolidated statement of cash flows	Current quarter US\$'000	Year to date (3 months) US\$'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(63)	(63)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(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	(63)	(63)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	14,726	14,726
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(947)	(947)
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	13,779	13,779

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (3 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	5,945	5,945
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(5,296)	(5,296)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(63)	(63)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	13,779	13,779
4.5	Effect of movement in exchange rates on cash held	(148)	(148)
4.6	Cash and cash equivalents at end of period	14,217	14,217

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	14,217	14,217
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)	14,217	14,217

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
249
-

Directors fees including superannuation where applicable

	<u>US\$'000</u>
Executive Directors	168
Non-Executive Directors	<u>81</u>
Total	<u>249</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 September 2018 the accumulated amount usable only for SM 71 purposes or repayment of amounts in relation to the convertible notes was US\$6.0 million of the US\$14.2 million cash on hand.

9. Estimated cash outflows for next quarter	US\$'000
9.1 Exploration and evaluation	6,200
9.2 Development	892
9.3 Production	450
9.4 Staff costs	683
9.5 Administration and corporate costs	667
9.6 Other	-
9.7 Total estimated cash outflows	8,892

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 interests have been earned, but the lease interests have not yet been transferred. The Hilcorp Gulf Coast prospects are rights to earn in to leases and not yet interests so won't be included in the above until the earn in has occurred.

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: 29 October 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.