

# Morgans Energy Conference Leading Small and Mid-Cap Energy Plays

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Investor Presentation

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ASX : OEL



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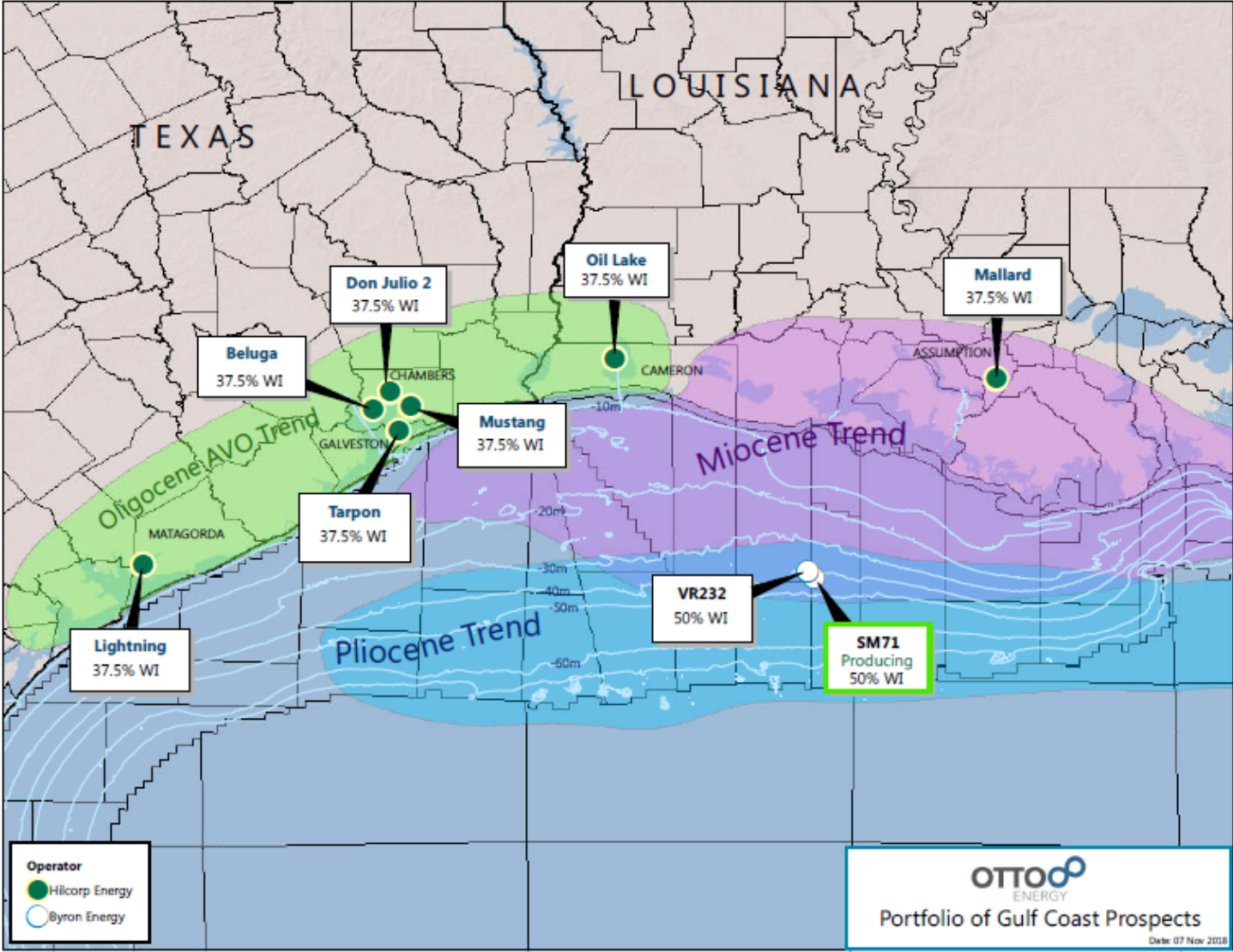
# Conventional production and exploration

Building a 5,000 boepd production base by end of 2020 – currently at ~1,850 boepd

- First Gulf of Mexico **production commenced in March 2018** delivering long-life production, cashflow and reserve base
- Positioned as a non-operating **partner of choice** in prolific hydrocarbon basins
- Executing a significant **ten well exploration program** in 2018/19, with each prospect **capable of delivering material upside** to Otto
- **Highly experienced US Gulf Coast operator**, Hilcorp Energy, to execute Gulf Coast drilling and development program
- Near/Onshore locations with identified access to infrastructure with **rapid, low capex pathway from discovery to production** upon success
- Upcoming spud of **Lightning well** in Hilcorp program with results expected in January 2019
- **High impact Alaska North Slope** exploration well to drill in February 2019 testing analogue to recent large Nanushuk discoveries

# Focus on Gulf of Mexico production and exploration

Otto positioned in proven conventional play trends in the Gulf Coast and offshore



# Focused growth strategy in the Gulf of Mexico

Otto's core strategic goal is to grow production to 5,000 boepd by the end of 2020

- Building a portfolio of US conventional production assets with a Gulf of Mexico focus and the capability to transition to an operator
- Growth strategy underpinned by strong production and cash flow from flagship Gulf of Mexico SM 71 asset
- Exciting pipeline of high impact exploration opportunities taking place over the next 12 months
- An experienced team with a track record of successfully growing, operating and divesting oil and gas assets globally who understand risk and capital management

## Why Gulf of Mexico?

- Proven prolific hydrocarbon province where technologies such as RTM seismic processing continue to create new opportunities
- Low sovereign risk
- High margin oil with breakeven economics around US\$20/barrel
- Short cycle time from discovery to development 8-18 months
- Low cost drilling and development
- Relatively low risk exploration
- Deal flow is liquid and a full spectrum of opportunity size is available
- Otto has area expertise and well developed business relationships
- Otto has production in the area



# Gulf Coast Package – Drilling Program

Independent prospects committed to be drilled

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	Jan-18	11,500	Land	37.50%	28.50%	Oligocene	Chambers	Texas
Mustang	Mar-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

Otto will be assigned a 37.5% working interest by paying 50.0% of the costs of drilling and setting casing or plugging and abandoning at each prospect.

# Gulf Coast Package - Prospects

Highly prospective portfolio based on new proprietary 3D seismic

Prospect Name	Working Interest	Net Revenue Interest	Probability of Success	Prospective Resources <sup>1</sup> 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

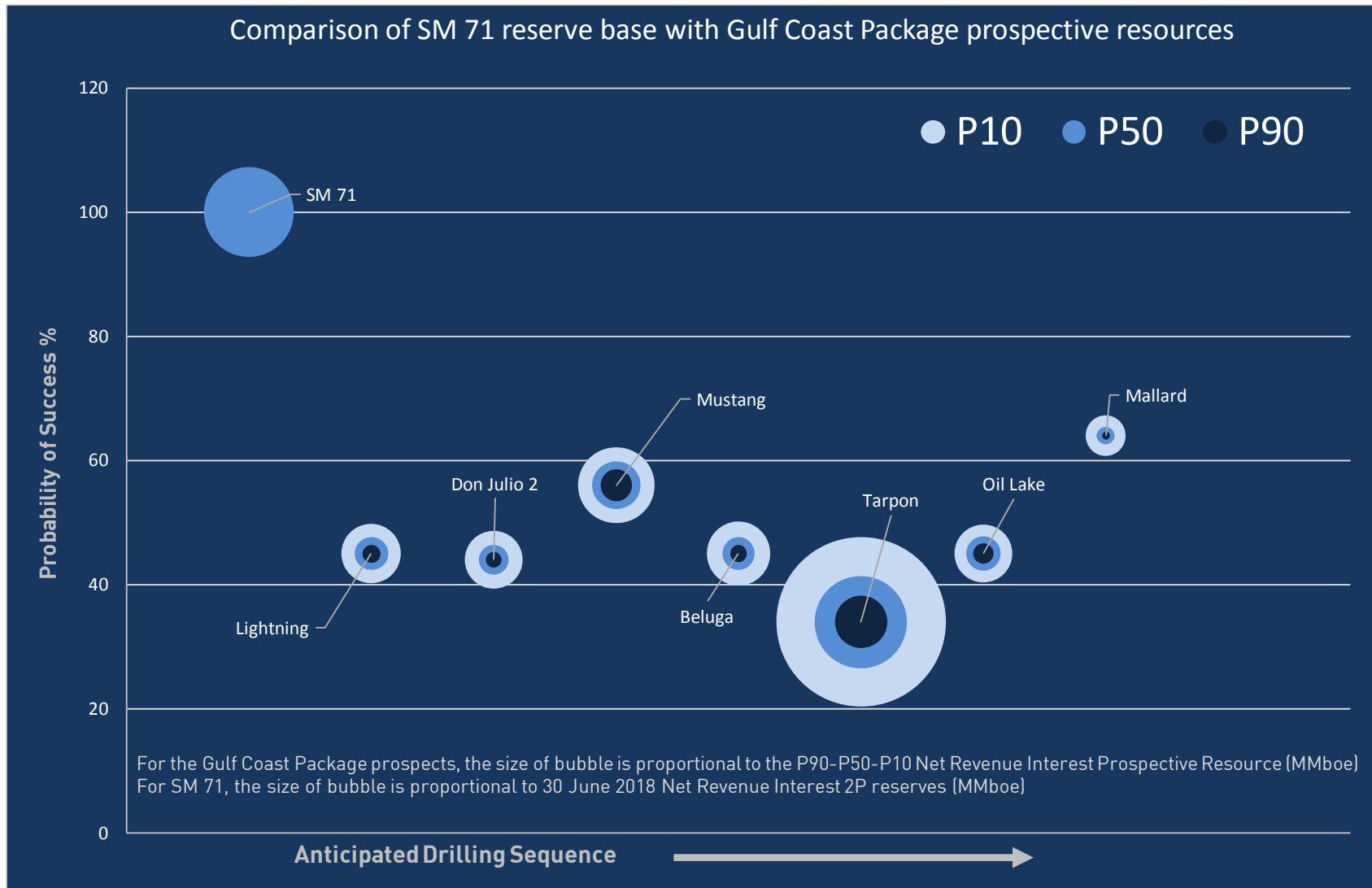
## <sup>1</sup> Prospective Resources Cautionary Statement

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.

Refer to the ASX announcement dated 31 July 2018 for further information on prospective resources disclosure.

# Gulf Coast Package - Timing

Potential of the Hilcorp Gulf Coast Portfolio





# Gulf Coast Package Potential

Risked Portfolio Potential to materially increase Otto's US business

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

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

Refer to the ASX announcement of 31 July 2018 for notes on the calculation of the risked portfolio information above.

# Tier 1 Operator - Hilcorp

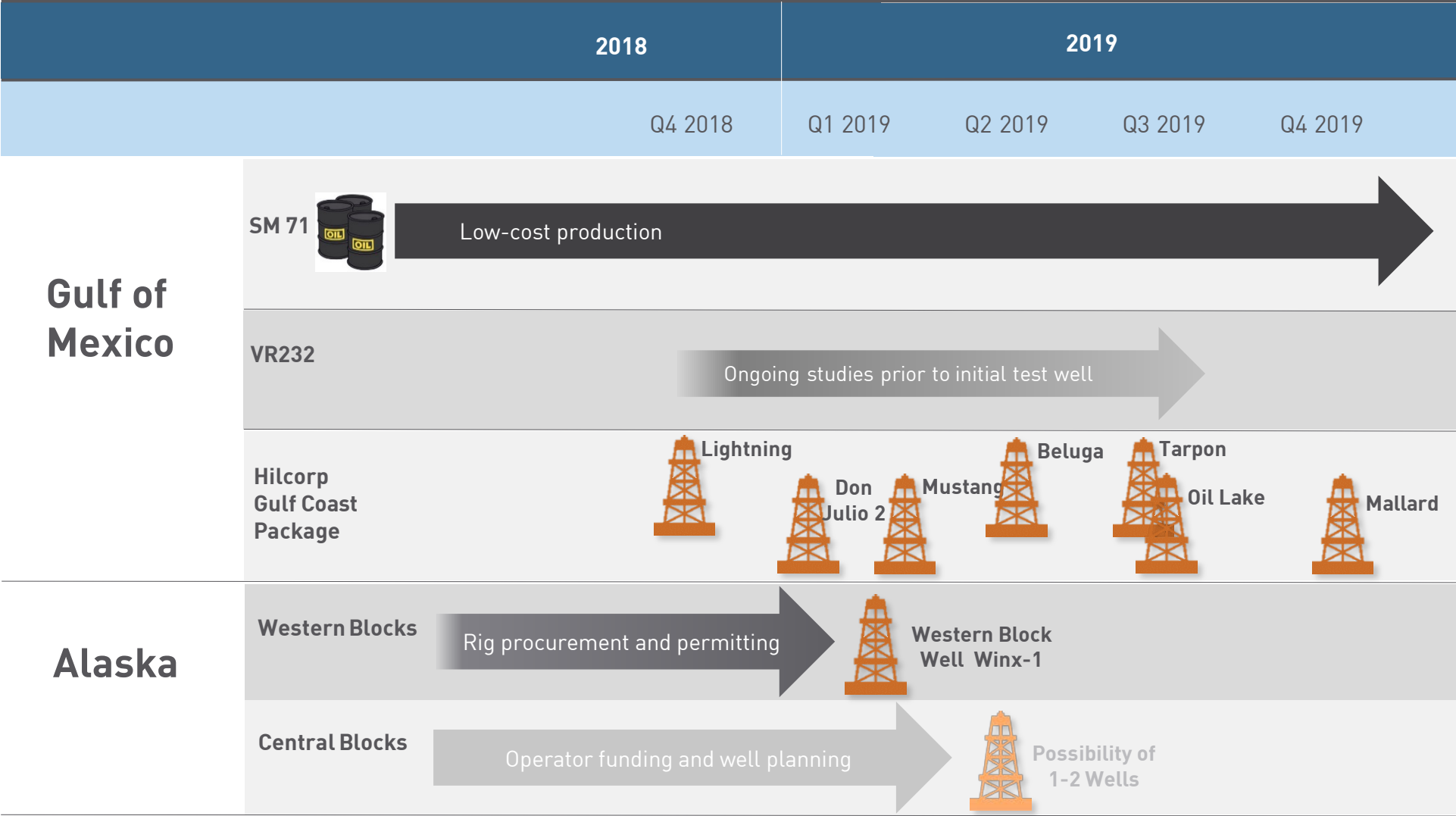
Partnering with operator with proven capability to take exploration prospects into production

- Founded in 1989, Hilcorp is one of the largest privately held oil and natural gas companies in North America.
- Hilcorp has nearly 2,000 employees and currently produces approximately 325,000 boepd (Australia's largest oil and gas company, Woodside, produces ~230,000 boepd).
- Hilcorp has been consistently recognized for its strong culture, values and ethics both within the firm and in the communities in which it operates.
- Hilcorp specializes in reinvigorating legacy oil and gas fields across North America; including in the US Gulf Coast, Alaska and the Rockies.



# Pipeline of Opportunities

Otto has assembled an exciting pipeline of upcoming activities



# Gulf Coast Package - Key Terms

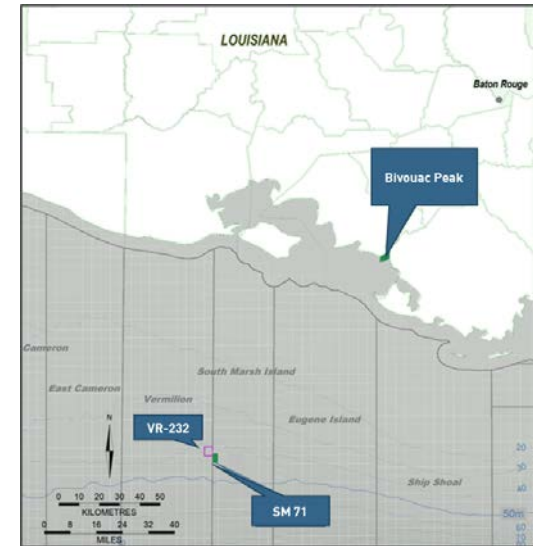
## Commitment to eight well drilling program with Hilcorp Energy

- Otto is participating in a firm eight well program with a right of first offer to a subsequent program, if Hilcorp elect to offer a program to third parties.
- Should either the Tarpon or Mustang prospects be successful then Otto has ground floor rights to participate in the nearby Damsel and Corsair/Hellcat opportunities in addition to the other eight wells.
- Otto to **earn a 37.5% working interest by paying 50.0%** of the costs of drilling and setting casing or plugging and abandoning at each prospect plus lease acquisition costs. The estimated cost of the commitment to Otto is US\$37.5 million.
- **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.
- **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. If Otto elects to not participate in any undrilled prospects, it will forfeit rights in those prospects.

# South Marsh Island 71 (SM 71)

Generating ~US\$3m in free operating cashflow each month

- Production commenced in March 2018
- At WTI of US\$63/bbl Otto will realise ~US\$65/bbl net (after transport and before Federal royalties due to high LLS margin)
- Oil and gas production to 19 September 2018 of 641,737 bbls of oil and 556 MMcf of gas (100% gross)
- 50:50 JV with operator Byron Energy (BYE:ASX)
- Operated tripod platform with capacity for up to 6 production wells and 5,000 bopd (currently three wells are installed)
- Further hydrocarbon-bearing sands have been intersected during drilling and should provide follow up production opportunities
- Operator is undertaking a large 3D seismic reprocessing program, including over SM 71, which will be utilised in future exploration and development planning
- Otto has secured rights to participate in the Vermillion 232 (VR 232) lease which is adjacent to SM 71 and provides future incremental opportunities de-risked by the SM 71 drilling successes



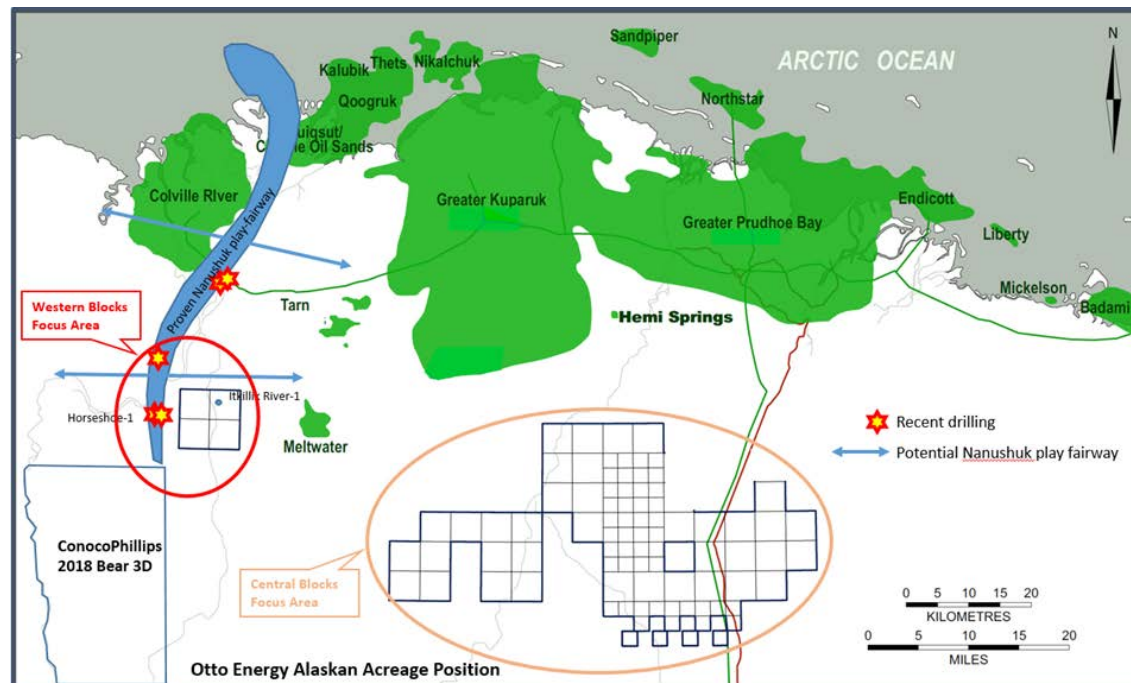
SM 71 F Production Platform (Gulf of Mexico)



# Alaska

## Otto to Drill Large Nanushuk Oil Prospect on the Alaska North Slope in Early 2019

- 400 MMbbl<sup>2</sup> gross best estimate prospective resource target on the Alaska North Slope. Otto's 18.75% net revenue interest (before Great Bear 10% back in – refer table) would be 75 MMbbls<sup>2</sup>.
- Winx-1 drilling target is a direct analogue to the Horseshoe-1/1A oil well drilled in 2017<sup>1</sup> located less than one mile to the west.
- Horseshoe-1/1A is part of the billion barrel plus Nanushuk oil play-fairway, one of the largest recent conventional oil discoveries on the Alaska North Slope<sup>1</sup>.
- Oil Search's (OSH) Pikka discovery to the west and the Conoco-Phillips Meltwater unit facility ~10 miles to the east.
- Nearby infrastructure ensures cost effective route to market in event of a discovery. Project economics will be further enhanced by the shallow nature of the oil pool.
- Rig has been contracted for the Winx-1 well to be drilled in the first quarter of 2019.



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

	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.

1. Referenced from the Repsol press release of 9 March 2017.

2. Refer ASX release dated 25 June 2018.

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# Why Otto Energy?

An emerging mid-tier oil and gas producer underpinned by cashflow to fund growth

- Low cost oil producer generating significant cashflow – **SM 71 free cashflow of ~US\$3m per month**
- Significant activity - **extensive exploration drilling campaign with at least 8 remaining wells to be drilled** by the end of 2019
- High Probability of Success (POS) prospects - **multiple opportunities to materially expand reserves, production and cash flow**
- Strong financial position and production base to **capitalise on additional opportunities in line with strict investment criteria**
- **Experienced exploration and commercial team** with a track record of value creation and risk management, complemented by quality project partners

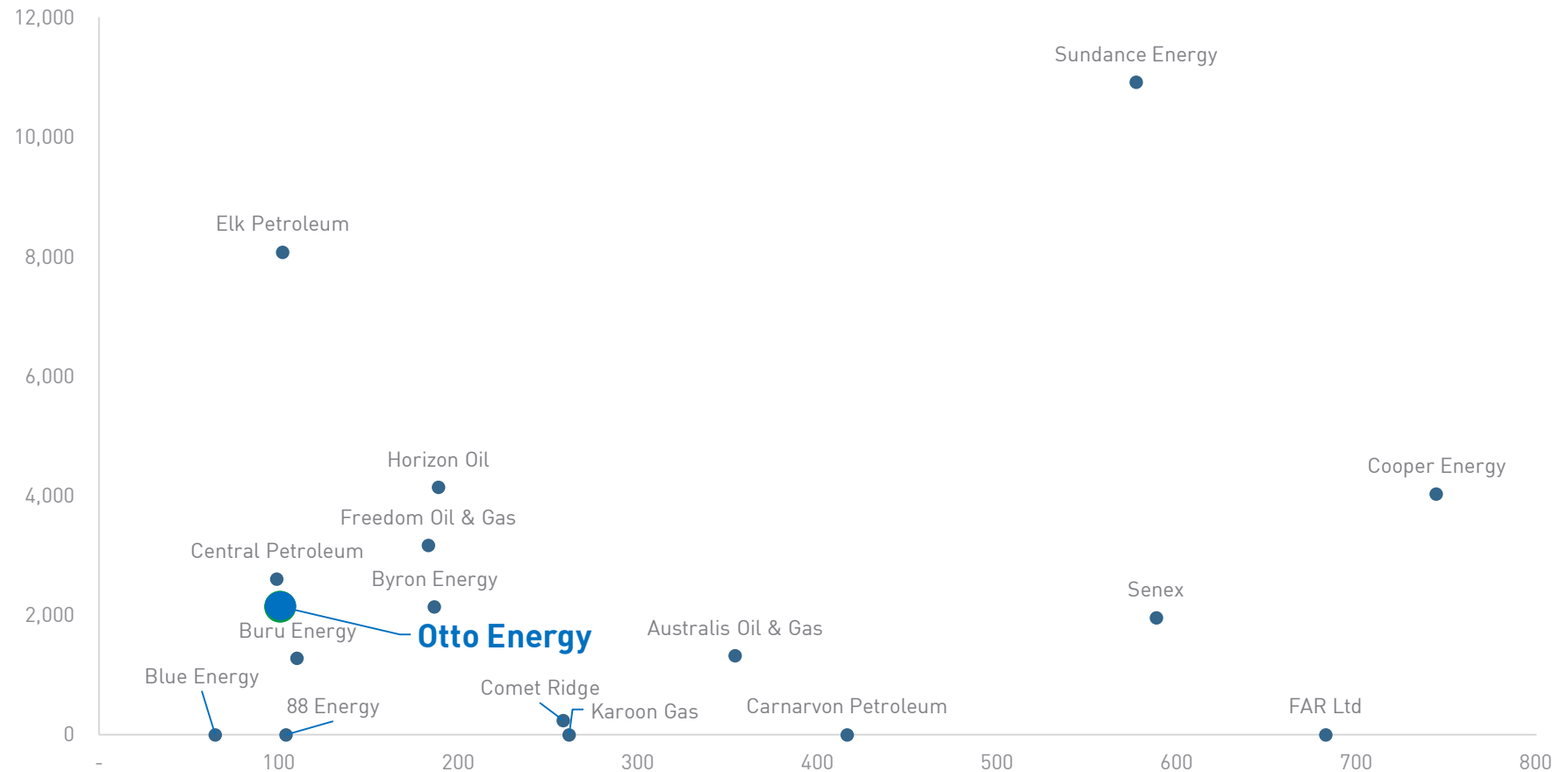
An aerial view of an offshore oil rig, ENSCO-68, situated in the middle of a dark blue ocean under a clear sky. The rig features several tall, lattice-structured derrick legs and a complex network of yellow and grey metal platforms and walkways. A prominent yellow structure at the base of the rig is visible. The text 'Additional Information' is overlaid on the left side of the image in white, with a white underline and a blue vertical bar to its right.

# Additional Information

# Why invest in Otto?

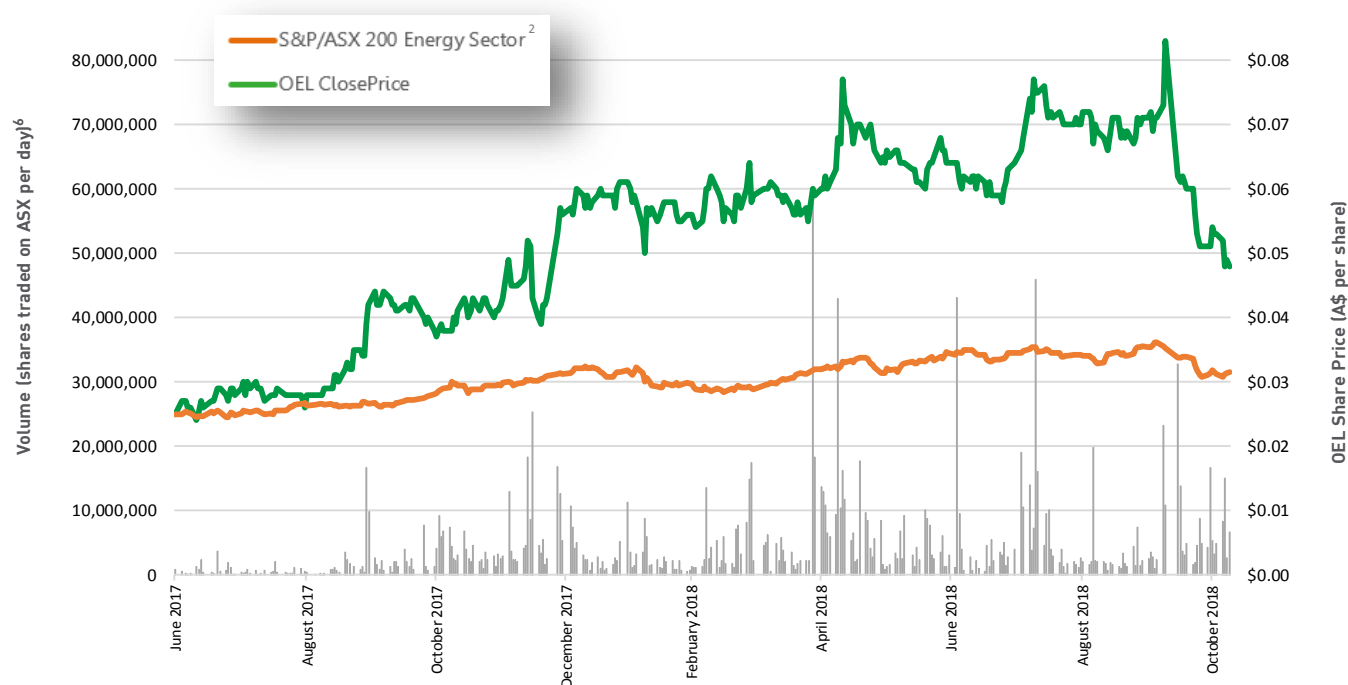
High margin producer with compelling valuation metrics

ASX Mid Cap Oil & Gas Companies 1 Nov 2018  
Production and Market Cap Distribution



# Corporate Snapshot

Capital Structure		Funding Position		Shareholders <sup>5</sup>	
Fully paid ordinary shares	1.871b	Cash (30 September 2018)	US\$14.2m	Molton Holdings	16.4%
Performance Rights	18.8m	Convertible Note Liability (repayable 30 June 2019) <sup>4</sup>	US\$9.4m	Perennial Value Management	6.3%
Convertible Notes (US\$1 per note) <sup>3</sup>	8.2m	Debt	Nil	Directors & Management	2.3%
Market capitalisation <sup>1</sup>	A\$90m				



1. As at 8 November 2018 (undiluted at 4.8 cents per share).

2. ASX 200 Energy Index normalized to 30 June 2017 OEL share price

3. Convertible notes issued for US\$8.2m on 2 August 2017. Conversion price of A\$0.05484, maturity 30 June 2019. The notes have a face value of US\$1.00.

4. Convertible note liability includes principle and interest accrued as at 30 June 2018.

5. As at 30 September 2018.

6. The volume excludes the 241,910,757 crossing by Santo on 27 March 2018 to enhance readability.



# Board and Management



**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 Macliver – Non-Executive Director. BComm, FCA, SF Fin, FAICD**

Managing Director Grange Consulting. Non-Executive Chairman of Western Areas.



**Ian Boserio – Non-Executive Director. BSc (Hons)**

Executive Technical Director of Pathfinder Energy Pty Ltd. Former executive positions with Shell & Woodside in international exploration roles.



**Matthew Allen – Managing Director & CEO.**

**BBus, FCA, FFin, GAICD**

Global exposure to the upstream oil and gas industry with over 18 years experience in Asia, Africa, USA, Australia and Middle East. Previous senior roles with Woodside over an 8 year period.



**Paul Senycia – Exec Director, Exploration and New Ventures. BSc (Hons), MAppSc**

International oil & gas experience gained over 35 years. Specific focus on Australia, USA, South East Asia & Africa. Previous roles at Beach, Woodside Energy and Shell International.



**David Rich – Chief Financial Officer & Company Secretary. BCom. FCA, GAICD, Grad.Dip.CSP AGIA**

Experienced public company CFO with the last 16 years as CFO of upstream oil and gas companies with international interests including in Australia, Asia and the USA.

# Houston Office Technical Team

110+ years of Gulf Coast and Gulf of Mexico experience

## ***Will Armstrong – Vice President, Exploration and New Ventures***

Prior to joining Otto Will worked with Tri-C Resources, a privately owned Houston based oil and gas company, developing Gulf Coast conventional prospects for drilling. Prior to joining Tri-C Resources, Will screened Gulf Coast, Offshore GOM, and Deepwater GOM prospects for Continental Land & Fur between 2007 and 2014. Between 1999 and 2007, Will worked as a geophysical consultant, generating Offshore and Gulf Coast prospects on behalf of Houston Energy, Westport Resources, and Petroquest Energy. Prior to consulting, Will had generated prospects for several Houston-based independent oil & gas companies, including being a founding member of Newfield Exploration. Will began his career at Tenneco Oil Company in 1987 in Lafayette.

Will graduated with a B.S. in Geology, minor in Mathematics, from Grand Valley State College in 1985. He also graduated from Wright State University with a M.S. in Geology, emphasis in Geophysics and Hydrogeology, in 1987.

## ***Philip Trajanovich – Senior Commercial Manager***

Philip was engaged by Otto as a commercial manager in July 2016 and has worked in both the Perth and Houston offices since that time. Prior to joining Otto, Philip was Commercial Manager at Aurora Oil and Gas and its subsequent acquirer Baytex Energy for over four years, focused on the Eagleford shale unconventional play. Philip has also worked with ConocoPhillips as an Asset Manager for nearly three years and Woodside Energy as a Commercial Adviser for over seven years. Philip has gained extensive experience in all facets of upstream oil and gas operations and commercial structures internationally and within the USA.

Philip graduated with a B.Com with First Class Honors from the University of Western Australia in 2001.

## ***Mark Sunwall – Senior Exploration Consultant***

Mark Sunwall was engaged as a senior exploration consultant by Otto in April 2016. Mark has a successful 40+ year career exploring and developing onshore Gulf Coast and Gulf of Mexico petroleum basins with major and independent oil companies. Mark has been instrumental in the establishment of the Houston business to date and brings a wealth of knowledge and extensive networks to Otto.

Prior to joining Otto, Mark worked for Aurora Oil & Gas for four years as the Geoscience Manager focused on the Eagleford shale unconventional play. In addition, Mark has over five years' experience with a small independent oil and gas company in Houston, has worked with Woodside Energy for over four years and started his career with Texaco (subsequently acquired by Chevron) spending over twenty six years with Texaco.

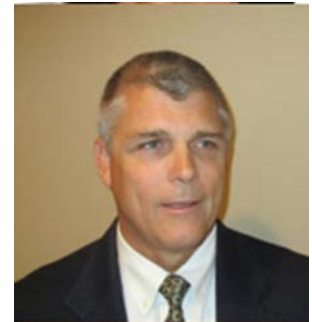
Mark graduated with a B.S. in geology from Southwest Minnesota State University in 1974. Mark also has a M.S. in geology from Miami University and graduated in 1976.

## ***Kevin Small – Senior Exploration Consultant***

Kevin has over forty years' experience in the Gulf of Mexico both onshore and offshore, and has been responsible for the generation, farm-in, drilling and development of numerous Gulf Coast discoveries. Kevin similarly brings extensive networks and relevant experience to Otto's business in Houston.

Prior to joining Otto Kevin worked with Tri-C Resources, a privately owned Houston based oil and gas company, developing Gulf Coast conventional prospects for drilling. Between 2003 and 2012, Kevin worked for Bluestreak Exploration Group developing prospects exclusively for LLOG Exploration, successfully generating discoveries on the Gulf of Mexico Shelf and Deepwater. Kevin was the Exploration Manager and a founding member of the Houston office of Westport Oil and Gas Company between 1996 and 2003, ultimately helping them go public in October, 2000. Kevin also has worked for the Superior Oil Company and McMoran Oil and Gas, starting his career in 1978. During his time with LLOG, Westport, and McMoRan, he has drilled wells with cumulative production of over 692 BCFG and 82 MMBO.

Kevin graduated with a B.S in Geophysical Engineering from the Colorado School of Mines in 1978.



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