

VR 232 - OTTO PARTNER HIGHEST BIDDER IN BLOCK ADJACENT TO SM 71

- Otto's partner Byron has been announced as the high bidder on VR 232, located adjacent to SM 71
- VR 232 will provide additional drilling opportunities near SM71
- Otto has the right to participate for a 50% working interest in VR 232

Otto Energy Limited (ASX:OEL) ("Otto" or the "Company") is pleased to advise that Byron Energy Inc, a wholly owned subsidiary of Byron Energy Limited (ASX:BYE) ("Byron"), was the apparent high bidder on the Vermilion Area Block 232 ("VR 232") in the Gulf of Mexico, Outer Continental Shelf ("OCS") Lease Sale 250 held in New Orleans, Louisiana on 21 March 2018. An apparent high bid is subject to OCS bid adequacy review and under Bureau of Ocean Energy Management ("BOEM") bidding terms may be rejected if deemed inadequate. The BOEM review process may take up to 90 days.

Pursuant to a Participation Agreement, effective 1 December 2015, between Byron and Otto, Otto has the right to participate for a fifty percent (50%) working interest in VR 232, or a fifty percent (50%) working interest in SM 74 if Byron's bid is rejected by the BOEM. 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 plus a gross fifty percent (50%) of other past costs paid by Byron. Under Byron's bid of US\$1.101 million for VR232, Otto's share would be US\$734,000. Having elected to participate in a staged farm-in at Bivouac Peak and upon the award of VR232, Otto's right to participate in new assets or projects under the December 2015 Participation Agreement has been fulfilled.

VR232 is adjacent to Otto's 50% owned South Marsh Island Block 71 ("SM 71") oil field and upon award, will add drilling opportunities and increase Otto's potential upside around the SM 71 facilities. Byron evaluated these 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 SM71 in 2016. Upon award, Otto's working interest would be 50% and net revenue interest would be 43.75%.

Byron was high bidder for VR 232 at OCS Lease Sale 247 one-year ago, but the bid was rejected by the BOEM. An appeal was filed in July 2017 and the Company was informed the appeal had been denied in January 2018.

Otto holds a 50% working interest (40.625% net revenue interest) in South Marsh Island Block 71 through a wholly owned subsidiary Otto Energy (Louisiana) LLC. The operator, Byron Energy Inc., a wholly owned subsidiary of Byron Energy Limited (ASX: BYE) holds the remaining 50% working interest.

Otto's Managing Director, Matthew Allen, commented: *"This is great news for Otto and our joint venture. VR 232 will be a great addition to the upside story around the SM 71 facility that is about to commence production less than two years from the discovery well drilled in 2016."*

Contact: Matthew Allen Managing Director & CEO +61 8 6467 8800 info@ottoenergy.com	Media: Yvonne Ball Citadel-MAGNUS +61 8 6160 4910
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