

ASX ANNOUNCEMENT

19 September 2018

SM 71 OPERATIONAL UPDATE

- **Cumulative gross production as of 19 September 2018 is approximately 641,737 barrels of oil and 556 million cubic feet of gas, on a gross basis with no produced formation water**
- **The current field sales, as of 19 September 2018, is 3,600 bopd and 6.0 mmcfpd, on a gross basis**
- **Recompletion of the F2 well from the B65 Sand to the B55 Sand is expected to commence during the last week of September 2018**

Otto Energy Limited (ASX:OEL) ("Otto" or the "Company") is pleased to provide the following update on the Company's South Marsh Island Block 71 ("SM 71") oil field.

Since oil and gas production began from the SM 71 F Platform in March 2018, 641,773 barrels of oil and 556 million cubic feet of gas, on a gross basis, and zero formation water have been produced from the three wells on the SM 71 F Platform. The SM 71 field development has been an outstanding success and represents the cornerstone of Otto's interests in the Gulf of Mexico.

Production Update

Now that SM 71 has produced a significant volume of oil and gas from the D5 reservoir and consequently a large volume of associated data collected, the joint venture is starting to understand some of the more subtle characteristics of the reservoir. The current field sales rate, as of 19 September 2018, have stabilised at approximately 3,600 bopd and 6.0 mmcfpd, on a gross basis after shrinkage at the sales meter. Over the last couple of weeks, the gas has slowly increased due to preferential flow and the oil has decreased to the stabilised rates report above. Daily hydrocarbon production has lowered the reservoir pressure below bubble point which is consistent with the original assumption that the D5 reservoir is a combination gas expansion/water drive reservoir.

Last week the Operator 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 which is confirmation of the excellent work of the Operator in keeping this platform running around the clock seven days a week.

During the shut in of the F1 well there was an almost immediate increase in the calculated reservoir pressure at the F3 well providing further evidence that the two wells are clearly connected. As part of routine reservoir management the current plan is to do further downhole pressure work on both the F1 and F3 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 optimization process.

Operations Update

The Company had announced on 4 July 2018 that recompletion of the F2 well from the B65 Sand to the B55 Sand would occur in September. At this stage a lift boat is scheduled to arrive at the SM 71 production facility in the last week of September to undertake the recompletion work, subject to final permit approval and weather. The estimated cost for the recompletion is approximately US\$1.1 million (gross) and is expected to take three weeks.

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

<p>Contact: Matthew Allen Managing Director & CEO +61 8 6467 8800 info@ottoenergy.com</p>	<p>Investor Relations & Media: Mark Lindh +61 8 8232 8800</p>
--	---