

ASX ANNOUNCEMENT

31 March 2020

SOUTH MARSH ISLAND 71 UPDATE

- **Operator has advised due to a sharp decline in LLS pricing has led to ramp-down of SM71 production**

Otto Energy Limited (ASX: OEL) ("Otto" or the "Company") provides the following update regarding the SM71 field. Due to a sharp decline in demand and glut in both international and local supplies, the Louisiana Light Sweet ("LLS") premium has started trading at a material discount to the West Texas Intermediate ["WTI"], for the first time in a long time, with the discount currently at approximately \$7.60 per bbl in the near month and generally negative through the remainder of 2020 before climbing back into positive territory.

The operator of the SM 71 field has advised of the following current facts and planned ramp-down in production rates in response to these recent events.

- SM71 is currently producing approx. 3,000 barrels of oil per day ("bopd") and 10.5 million cubic feet per day ("mmcf") of gas on a gross basis, equivalent to approx. 1,200 bopd and 0.6 mmcf, net to Otto; and
- Cash operating costs for the SM71F platform are averaging approx. US\$0.4 million (gross) per month.

Otto has been advised by Byron that it will shut in the SM71 F1 well and reduce production from the F3 to 1,850 bopd, effective immediately, currently producing approx. 1,000 bopd and 1.0 mmcf and 2,100 bopd and 0.8 mmcf respectively, to maximise long term value by linking production to volume commitments under the forward sale agreement, during this period of depressed prices. This approach to restricting production is designed to optimise reservoir management; this will reduce overall SM71 field production to approximately 1,900 bopd and 9.5 mmcf (gross).

SM71 production rates will be adjusted continuously dependent upon any favourable changes in price. It is noted that there is expected to be significant volatility in the spot LLS oil prices in the near term as oil futures contracts are closed out and reflected in regional spot pricing.

As reported on 23 March 2020, the SM71 F5 wellbore has been temporarily abandoned in a manner that allows it to be efficiently side-tracked in the future when the uncertainty relating to the COVID-19 epidemic has dissipated and also at a time where oil prices are substantially higher. Abandonment operations are complete, and the rig will be released as soon as the weather conditions allow.

Otto, through its wholly owned subsidiary Otto Energy (Louisiana) LLC., currently has a 50% working interest and a 40.625% net revenue interest in SM71. Byron Energy Ltd ("Byron") (ASX: OEL) is the operator and holds the remaining interest in SM71.

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About Otto Energy:

Otto is an ASX-listed oil and gas exploration and production company with a regional focus on North America, focused on the Gulf of Mexico region near-term. Otto currently has oil production from the SM 71 oil field in the Gulf of Mexico and gas/condensate production from the Lightning discovery onshore Matagorda County, Texas. Development is underway at the Green Canyon 21 "Bulleit" oil discovery in the Gulf of Mexico. Cashflow from its producing assets underpins its growth strategy including an active exploration and appraisal program underway in the Gulf of Mexico region.