

ASX ANNOUNCEMENT

21 April 2021

GREEN CANYON 21 "BULLEIT" FIELD UPDATE

- Bulleit well continues to produce from the deeper MP sand on a managed basis.
- The currently favoured path forward is to recompleting the well in the shallower DTR-10 sand and to move away from the MP sand.
- DTR-10 recompletion project is expected to be low risk and highly economic.
- Recompletion is expected to occur in mid CY 2022, with production from the DTR-10 sand expected in mid to late CY 2022.
- Deferral of DTR-10 recompletion costs into next year enables Otto to continue to enhance liquidity and improve its balance sheet flexibility, while remaining focused on near term growth opportunities.
- Current cash flow from existing producing assets is more than sufficient to service debt while simultaneously improving liquidity.

Otto Energy ("Otto") (ASX: OEL) is providing a market update on the status of production for the Green Canyon 21 (GC 21) "Bulleit" field.

Current Status

Production rates from the MP sand have remained relatively consistent since first oil and are being managed by the operator.

A technical assessment of the MP sand production performance has been completed. Detailed bottomhole pressure and reservoir performance data collected after hook-up and first production indicate a smaller reservoir than originally anticipated.

While additional technical work is ongoing, the currently favoured path forward is to move away from the MP sand and execute a recompletion of the well in the shallower DTR-10 sand. The recompletion is expected to be low risk and highly economic given the nearby analogs, well data and existing infrastructure in place.

Forward Planning

A DTR-10 recompletion will require the procurement of long lead items from manufacturers. These long lead items are expected to cost approximately US\$3.5 million (US\$0.6 million, net to Otto) with payment expected for such items in mid CY 2021.

Due to deepwater rig availability, weather, timing and long lead items, the recompletion is expected to commence in mid CY 2022, with production from the DTR-10 immediately following in mid to late CY 2022.

Economics

Otto has confidence in the DTR-10 as a strong development opportunity given there are three existing well bores with logged pay¹, one of which has a short-term production flow test. As previously stated, Otto's revised GC 21 net reserves in the DTR-10 are 581 Mboe (1P) and 1,086 Mboe (2P)².

Recompletion economics are enhanced as the joint venture already has an existing pipeline and host platform in place and the recompletion costs will be the only incremental cost required to realize the DTR-10 production.

Liquidity

Apart from the minimal long lead item procurement, a DTR-10 recompletion will not affect Otto's balance sheet or significantly alter its liquidity until mid CY 2022. This will provide Otto with ample time to continue to pay down its debt and strengthen its balance sheet. Current cash flow from its existing producing assets is more than sufficient to be able to accomplish this, allowing Otto to also use this capital for growth.

Conclusion

Otto Energy Executive Chairman, Mike Utsler, commented: *"Otto remains confident and excited in the potential of the shallower DTR-10 sand, which can be accessed from the existing well bore and requires no additional infrastructure to bring online."*

The timing required by the operator to procure the long lead equipment, secure a deepwater rig aligned with and available against the weather and current constraints will result in delaying contribution to Otto's bottom line until 2022. This will actually enable Otto to continue to strengthen its balance sheet and pursue growth opportunities in the nearer term."

Otto Energy has a 16.67% Working Interest and a 13.33% Net Revenue Interest in the GC 21 lease and project. The project has been developed via a 10-mile subsea tieback to the GC 18 Whistler platform where production is being processed and then delivered into regional oil and gas sales pipelines. Otto's product sales from GC 21 are secured via long term production handling, transportation, and sales arrangements.

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This announcement has been approved for release by the Board of Otto Energy Limited.

¹ Bulleit well plus historical well bores.

² See ASX release dated 11 March 2021 "H1 FY21 Results and Half Year Report".