

## ASX ANNOUNCEMENT

26 November 2019

### SM71 F4 UPDATE

Otto Energy Limited (ASX: OEL) ("Otto" or the "Company") notes the public release made 25 November 2019 by Byron Energy Ltd (ASX: BYE) concerning the proposal to drill the SM71 F4 well and provides the following comments.

Byron has confirmed to Otto that it was required to make the release to "*address(es) the representations we ("Byron") made in our investor presentations for Byron's placement and rights issue*". Otto has made no public statements in contradiction to the position announced in Otto's release of 4 October 2019. Byron has confirmed that it has made representations to potential investors in Byron that differ to Otto's publicly stated position on the SM71 F4 well election notice.

Otto confirms that it indicated to Byron in meetings in Lafayette on 12 November 2019 that it would reconsider, subject to Otto board approval, participation in the F4 well. Byron subsequently provided a letter amendment allowing Otto to rescind its notice of non-participation in the SM71 F4 well, requesting a response by 21 November 2019. Otto confirmed on 21 November 2019 that it would not participate in the SM71 F4 well.

Otto has maintained that the SM71 F5 well, that is not currently the subject of a formal well proposal by the operator, is its preferred target for additional drilling in the field. Otto holds an internal best estimate of 1,300,000 boe of gross recoverable volume in the F5 location with a gross P10 estimate of 1,008,000 boe and a gross upside of 2,730,000 boe.

Otto's decision to not participate in the SM71 F4 well is based on its view that the potential volumes in the F4 location are too small to meet Otto's internal economic hurdles.

The SM71 F4 target amplitude is potentially a much smaller column height than encountered in existing wells in the SM71 field, potentially ties to a different reservoir sand (potentially the B65 sand) and the target is also structurally limited in ultimate size. The seismic response at the SM71 F5 location is more consistent with the wells currently producing from the D5 reservoir interval (namely the F1 and F3 wells). Appendix A provides an interpretation undertaken by Otto's geoscience team of the two targets.

Otto is continuously assessing opportunities for investment into the oil and gas sector, through several Gulf of Mexico focused operators. While Otto appreciates the relatively low geological risk of the F4 prospect, it has investment opportunities that it believes offer superior risk-adjusted returns.

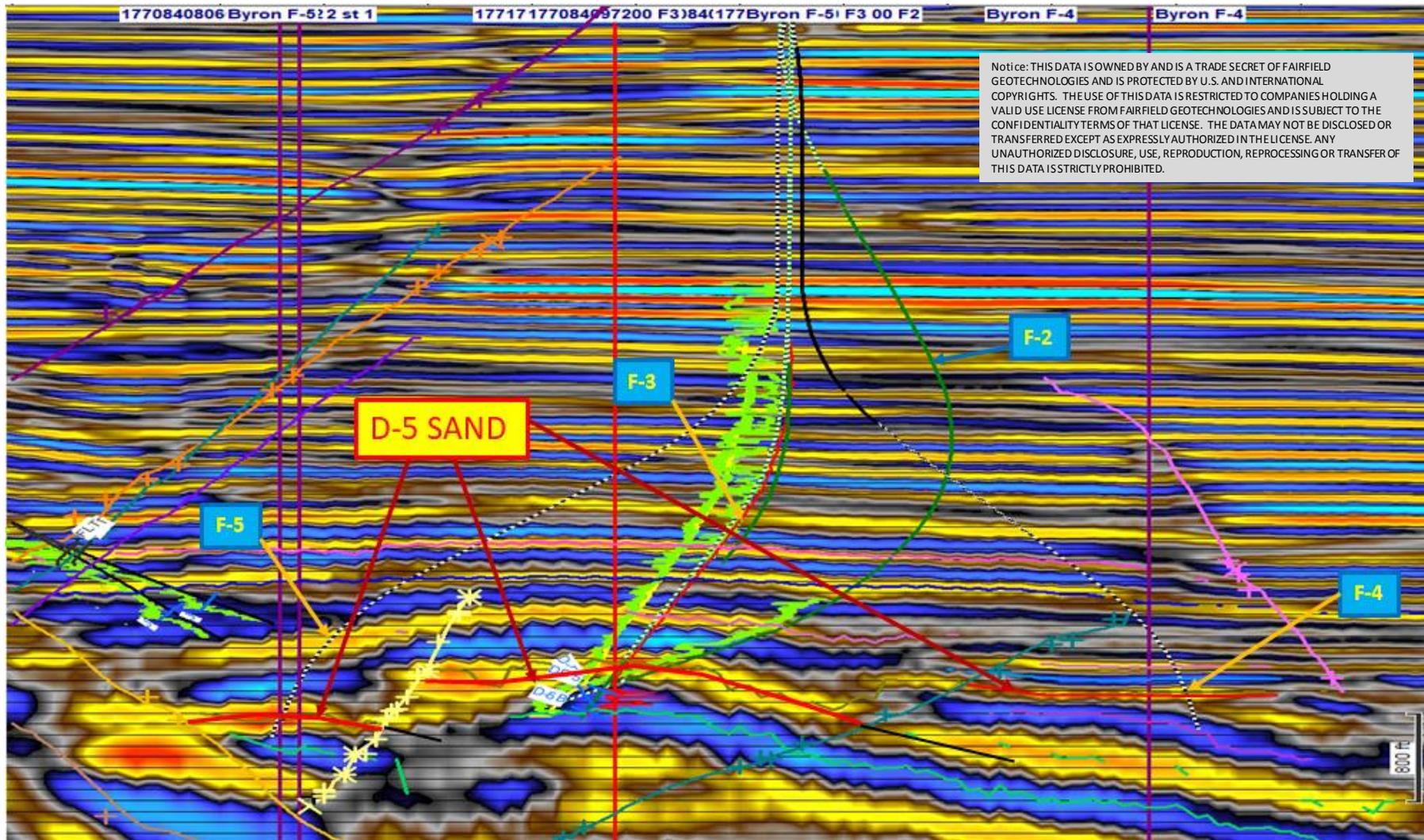
Otto will consider proposals to participate in a well to test the SM71 F5 location when proposed by the operator. Otto notes that the upper portion of the SM71 F4 wellbore may be reused for the SM71 F5 or another well, if the SM71 F4 location proves unsuccessful.

Contact: Matthew Allen Managing Director & CEO +61 8 6467 8800 <a href="mailto:info@ottoenergy.com">info@ottoenergy.com</a>	Investor Relations: Krista Walter (VP Investor Relations) / Mark Lindh (Adelaide Equity) +61 (0) 2 4017 1257 / +61 414 551 361 <a href="mailto:Investor-relations@ottoenergy.com">Investor-relations@ottoenergy.com</a>
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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.

**Appendix A:** Seismic Cross section through SM71 F5 and F4 targets



### Competent Persons Statement

The information in this report that relates to oil and gas reserves and resources at SM 71 was compiled by Mr Ed Buckle. Mr Buckle is a full-time contractor of the Company, with more than 30 years relevant experience in the petroleum industry and is a member of The Society of Petroleum Engineers (SPE). The resources included in this report have been prepared using definitions and guidelines consistent with the 2007 Society of Petroleum Engineers (SPE)/World Petroleum Council (WPC)/ American Association of Petroleum Geologists (AAPG)/ Society of Petroleum Evaluation Engineers (SPEE) Petroleum Resources Management System (PRMS). The resources information included in this report are based on, and fairly represents, information and supporting documentation reviewed by Mr Buckle. Mr Buckle is qualified in accordance with the requirements of ASX Listing Rule 5.41 and consents to the inclusion of the information in this report of the matters based on this information in the form and context in which it appears.

### Reserves cautionary statement

Oil and gas reserves and resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates that were valid when originally calculated may alter significantly when new information or techniques become available. Additionally, by their very nature, reserve and resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional drilling and analysis, the estimates are likely to change. This may result in alterations to development and production plans which may, in turn, adversely impact the Company's operations. Reserves estimates and estimates of future net revenues are, by nature, forward looking statements and subject to the same risks as other forward looking estimates.

### Reserves and Resources Governance

Otto's reserves estimates are compiled and audited annually using external and internal resources and appropriately qualified personnel.

### ASX Reserves and Resources Reporting Notes

- (i) The reserves and prospective resources information in this document is effective as at 30 June, 2019 (Listing Rule (LR) 5.25.1)
- (ii) The reserves and prospective resources information in this document has been estimated and is classified in accordance with SPE - PRMS (Society of Petroleum Engineers - Petroleum Resources Management System) (LR 5.25.2)
- (iii) The reserves and prospective resources information in this document is reported according to the Company's economic interest in each of the reserves and prospective resource net of royalties (LR 5.25.5)
- (iv) The reserves and prospective resources information in this document has been estimated and prepared using the deterministic method (LR 5.25.6)
- (v) The reserves and prospective resources information in this document has been estimated using a ratio of 6,000 cubic feet of natural gas to one barrel of oil. This conversion ratio is based on an energy equivalency conversion method and does not represent value equivalency (LR 5.25.7)
- (vi) The reserves and prospective resources information in this document has been estimated on the basis that products are sold on the spot market with delivery at the sales point on the production facilities (LR 5.26.5)
- (vii) The method of aggregation used in calculating estimated reserves was the arithmetic summation by category of reserves. As a result of the arithmetic aggregation of the field totals, the aggregate 1P may be a very conservative estimate and the aggregate 3P may be a very optimistic estimate due to the portfolio effects of arithmetic summation (LR 5.26.7 & 5.26.8)
- (viii) Prospective resources are reported on a best estimate basis (LR 5.28.1)
- (ix) For prospective resources, the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons (LR 5.28.2)
- (x) The reserve numbers assume some investment over the life of the field outlined above.