

Quarterly REPORT



THREE MONTHS ENDED 31 DECEMBER 2017

QUARTERLY HIGHLIGHTS FOR OTTO ENERGY LIMITED (ASX:OEL) ('OTTO')

Corporate:

- Otto raised A\$12 million through a placement and SPP - both were heavily oversubscribed; and
- Closing cash balance of US\$15.02 million (A\$19.25 million).

Appraisal/Development:

- SM 71 F Platform installation and the 4" oil line and 6" gas line connections completed;
- SM 71 F2 exploration/appraisal well intersected four high quality oil bearing sands with an estimated combined net oil pay with a true vertical thickness of 190 feet (58 metres);
- SM 71 F2 well to be completed for production in the B65 Sand;
- F2 well result expected to significantly increase 1P & 2P reserves for SM 71 at the next reserves review;
- SM 71 F3 development well drilling in progress, targeting a second production take point in the D5 sand; and
- First production from SM 71 F1, F2 and F3 wells expected in March 2018.

Exploration – Louisiana, Gulf of Mexico:

- South Marsh Island 71 – The B65 exploration target in the SM 71 F2 well was a discovery and the well will be completed for production in the B65 sand. The results are expected to significantly increase 1P & 2P reserves for SM 71 at the next reserves review.
- Bivouac Peak – Operator advises that survey and permit work on the Bivouac Peak prospect continued during the December quarter with a goal of beginning drilling operations in the second half of calendar year 2018.

THREE-MONTH OUTLOOK

- Louisiana, Gulf of Mexico: South Marsh Island 71 – complete drilling of the SM 71 F3 well in the D5 sand. All three wells will then be completed sequentially with first production expected in March 2018.
- Louisiana, Gulf of Mexico: Bivouac Peak – Operator to progress with planning and submit well proposal to partners for first well.
- Alaska: Operator to secure new funding ahead of commencing a drilling campaign in the northern winter of 2018/9.
- Continue to review new business opportunities in the Gulf of Mexico to add to the portfolio in 2018.

EXPLORATION/APPRaisal/DEVELOPMENT

LOUISIANA/GULF OF MEXICO – SOUTH MARSH ISLAND 71 (SM 71)

Location:	Offshore Gulf of Mexico
Area:	12.16 km ²
Otto's Interest:	50.00% with Byron Energy Inc. (Operator)

Otto owns a 50% Working Interest (“WI”) and a 40.625% Net Revenue Interest (“NRI”) in the South Marsh Island block 71 (“SM 71”), with Byron Energy Limited (“Byron”) (ASX: BYE) the operator, holding an equivalent WI and NRI. Water depth in the area is approximately 137 feet. Currently, there is no production from the block, although production is expected to commence in March 2018.

SM 71 Platform and Pipelines

During the December 2017 quarter, the installation of the jacket and decks comprising the SM 71 F Platform was completed without any safety or operational issues. The Tetra Hedron derrick barge was de-mobilised off location in late November 2017 after successfully placing the jacket and decks over the SM 71 F1 well drilled in 2016 and securing the structure with pilings.

Operations to lay the 500 foot 4-inch oil and 7,000 foot 6-inch gas pipelines were also completed during October 2017. Each pipeline was initially laid and buried to within tie-in distance of the SM 71 F platform location and their respective sales lines. Final tie-in work at the platform and sales lines was completed in December 2017 by dive crews soon after the jacket and decks were installed at the platform location in SM 71.

SM 71 F2 Appraisal Well

The Ensco 68 jack-up rig spudded the OCS G-34266 #F-2 well (“F2”) on SM 71, in early December 2017.



The Ensco 68 independent leg jack up drilling rig under tow on 26 November 2017 in the Gulf of Mexico

Copyright 2017, Byron Energy Limited

On 27 December 2017 Otto reported that the SM 71 F2 appraisal well encountered four discrete hydrocarbon bearing sands, including the B65 and D5, and that the drill pipe became stuck approximately 214 feet below the bottom of the D5 sand. Attempts were made to free the stuck drill pipe whilst evaluating various alternatives including the optimization of the F2 wellbore and the drilling of a future F3 well. Consequently, it was decided to case the F2 well to a depth of 7,700 feet measured depth (“MD”), 130 feet MD below the base of the B65 sand. By doing so, the B65 sand logged in the well was preserved as an optimal take point in that reservoir. The F2 well can also be used to produce the J1 sand and B55 sand after cessation of production in the B65 sand sometime in the future.

In early January 2018, 7 5/8 inch casing was run before suspending the F2 well for a short period prior to completion for production. The F2 well will provide an excellent take point to produce hydrocarbons from the B65 sand.

Further petrophysical analysis of the net oil pay counts confirmed the preliminary analysis, reported on 27 December 2017. The net oil pay counts based on transmitted data, will serve as final internal pay counts as the additional higher resolution LWD memory data was not retrieved. Real time “log-while drilling” porosity data indicates the porosity of both the B65 and D5 Sands to be consistent with other wells in the area with porosities ranging up to 31% with a high net to gross sand ratio in each zone.

The Company's reserves and resources as at 30 June 2017 were reported on 28 September 2017 (refer to the Company's ASX announcement dated 28 September 2017) and were prepared by Collarini and Associates, Houston, TX. The results of F2 well are expected to result in a material uplift in Otto's proved and probable reserves at the next review.

SM 71 F3 Development Well

Given the high quality and thickness of the D5 sand encountered in the F2 well and the fact that the joint venture had a one-time option to drill a second well under the existing Ensco drilling contract, it was decided to drill OCS G-34266 #F-3 well (“SM 71 F3”) well immediately following the casing of the SM 71 F2 well using the Ensco 68 rig, rather than releasing it.

EXPLORATION/APPRaisal/DEVELOPMENT (CONTINUED)

LOUISIANA/GULF OF MEXICO – SOUTH MARSH ISLAND 71 (SM 71) (CONTINUED)

The SM 71 F3 well is designed to intersect the D5 sand very near the point that the F2 well intersected the D5 sand.

The F3 well will provide a second take point in the D5 sand reservoir in addition to the F1 well, which was drilled in 2016. The engineering design of the F3 well will allow for a borehole angle of just 24 degrees with shorter measured depth than the F2 well which had an angle of 60 degrees. The design will provide an optimal completion configuration.

The SM 71 F3 well spudded on Tuesday, 9th January 2018 USA Central Standard time, and at the date of this report was drilling ahead. F3 is expected to be drilled and evaluated by early February 2018.

The SM 71 F3 development well will be drilled to a planned total depth of 7,624 ft/2,324 metres MD, equivalent to 7,423 ft/2,263 metres true vertical depth (“TVD”).

SM 71 Production Plan

Acceleration of the drilling of the F3 well will add a third production well to the field at the time of production start-up. The SM 71 field is now expected to commence production in March 2018.

Completion operations on all wells will commence sequentially once drilling of the F3 well is finished.

Once all current wells are completed for production, the field will be produced using all three wells (two D5 completions in the F1 and F3 wells, and one B65 completion in the F2). Further drilling opportunities from the platform will be assessed on the basis of performance.

The combined initial production of the three wells will take up the majority of the SM 71 F Platform production capacity. The SM 71 F Platform has capacity to produce up to 5,000 barrels of oil per day from wells located on SM 71.



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Ensco 68, Chet Morrison dive boat and SM71 F platform, Gulf of Mexico December 2017

EXPLORATION ASSETS

LOUISIANA/GULF OF MEXICO – BIVOUAC PEAK

Location:	Inshore Gulf of Mexico
Area:	10 km ²
Otto's Interest:	45.00% - Earning via staged farm-in with Byron Energy Inc. (Operator)

Otto has the option to earn a 45% working interest in the Bivouac Peak lease, which covers approximately 2,500 acres of highly prospective acreage in the transitional zone inshore southern Louisiana. Operator has identified multiple prospects at both the Middle and Lower Miocene levels demonstrating stacked amplitude and AVO (amplitude versus offset) support. Follow-up drilling options have been identified at the Lower Miocene level that could increase the scale of the overall opportunity.

An independent resource estimate for Bivouac Peak was prepared by Collarini Associates, which assigned a Prospective Resource at Otto's proposed 45% working interest (33.525% net revenue interest) of 7,196 Mbbl of oil and 79,950 Bcf of gas.

Significant production exists in the adjacent Miocene sequence at the Little Bay field (>45 Bcf gas and 5 MMbbl condensate) and the Atchafalaya Bay field (>100 Bcf gas and 0.6 MMbbl condensate).

With nearby production infrastructure already in place, any successful well at Bivouac Peak would be capable of being brought into production within 6-12 months of discovery.

Otto has the ability to earn a 45% working interest (33.525% net revenue interest) through the funding of 60% of the cost of the first well drilled at Bivouac Peak. Any costs above US\$6 million (Otto share) in respect of the first well and all future expenditure will be in accordance with Otto's participating interest (45%).

Survey and permit work on the Bivouac Peak prospect continued during the December quarter with a goal of beginning drilling operations in the second half of calendar year 2018.

Forward Plan

Otto is awaiting a well proposal from Operator prior to committing to participate in the first exploration well.

OTTO BIVOUAC PEAK NET PROSPECTIVE RESOURCES¹

GROSS		NET TO OTTO		NET TO OTTO
Oil (Mbbbl)	Gas (MMcf)	Oil (Mbbbl)	Gas (MMscf)	MBOE (6:1)
15,990	177,666	7,196	79,950	20,520

¹ Subject to election by Otto to participate in the first well drilled in the Bivouac Peak acreage.

EXPLORATION ASSETS (CONTINUED)

LOUISIANA/GULF OF MEXICO – SOUTH MARSH ISLAND BLOCK 74 AND VERMILLION BLOCK 232

Location:	Offshore Gulf of Mexico
Area:	20.23 km ² (SM 74) or 18.31 km ² (VR 232)
Otto's Interest:	45.00% - Earning via staged farm-in with Byron Energy Inc. (Operator)

As previously reported, the BOEM awarded Byron lease block South Marsh Island Area South Addition Block 74 ("SM 74"). Byron's bid for the lease, Vermillion Area Block 232 ("VR 232") was rejected by the BOEM as insufficient. Byron has appealed the bid decision to BOEM and a decision from the BOEM is pending.

Otto's rights to acquire one such newly acquired asset under the Participation Agreement has been satisfied by the participation rights noted above and have otherwise expired effective 31 March 2017.

The SM 74 or VR 232 block will increase Otto's footprint near its existing SM 71 discovery.

If VR 232 is ultimately awarded to Byron, Otto will have a right to acquire a 50% WI / 40.625% NRI. Should Byron ultimately not acquire VR 232, Otto will have a right instead to acquire a 50% WI of SM 74, on same terms, for an amount equal to a gross one hundred thirty-three percent (133%) of Otto's fifty percent (50%) WI share of certain acquisition costs, including the Dry Hole Costs of an Initial Test Well (as defined in the Participation Agreement between Byron and Otto) incurred by Byron plus an amount equal to a gross fifty percent (50%) of certain other acquisition expenses (as defined in the Participation Agreement) incurred and paid by Byron.

LOUISIANA/GULF OF MEXICO – SOUTH TIMBALIER 224 (ST 224)

Location:	Offshore Gulf of Mexico
Area:	20.23 km ²
Otto's Interest:	25.00%

In July 2017 Otto secured a farm-in to the South Timbalier 224 licence in the Gulf of Mexico shelf area.

In mid-December 2017 Otto indicated that the well had been drilled to a total measured depth of 10,900 feet (3,322 metres). The target sand interval was intersected close to prognosis, however based on log observations the sand is considered to be water bearing.

Drilling of a large, amplitude supported, high CGR (condensate gas ratio) gas condensate exploration prospect located in the prolific Bul. 1 trend commenced in late October 2017.

The well has subsequently been plugged and abandoned.

LOUISIANA/GULF OF MEXICO – SOUTH TIMBALIER 235 (ST235)

Location:	Offshore Gulf of Mexico
Area:	20.23 km ²
Otto's Interest:	25.00%

In late October 2017 Otto gained the right to acquire a 25% working interest in the ST 235 lease in the Gulf of Mexico recently awarded to Houston Energy.

This block will continue to be technically reviewed in light of the recent ST 224 well results.

EXPLORATION ASSETS (CONTINUED)**ALASKA**

Location:	Onshore North Slope Alaska
Area:	2,094km ²
Otto's Interest:	8%-10.8% – Great Bear Petroleum Operating (Operator)

Great Bear Acreage - Overview

Through its agreements with Great Bear Petroleum Operating ("Great Bear") in 2015, Otto acquired between an 8% and 10.8% working interest (equivalent to 56,712 net acres) in two areas of Alaskan North Slope exploration acreage held by Great Bear.

Great Bear is a private exploration company focused exclusively on exploring and developing conventional and unconventional resources on the North Slope of Alaska.

Great Bear is the dominant exploration acreage holder in this highly prospective basin; holding approximately 534,653 gross acres in a major play fairway south of the Prudhoe Bay and Kuparuk giant oil fields. Great Bear has undertaken significant exploration work on the acreage since 2011 including:

- Acquisition and processing of approximately 2,970 km² of 3D seismic data (1,170 km² in 2016).
- Drilling of two unconventional stratigraphic test wells which cored three primary unconventional targets.
- Drilling of a conventional exploration well (Alkaid-1) which specifically targeted a 3D defined Brookian reservoir. The Alkaid well results are under evaluation.

The extensive, modern 3D seismic coverage, existing well control and proximity to the all-weather Dalton Highway and Trans-Alaskan Pipeline System (TAPS) means the acreage is well positioned for exploration.

Existing 3D seismic has allowed development of an extensive prospect portfolio which includes at least 4 well locations.

Otto's exposure on the first three wells is limited to US\$2.6m/well.

Nearby Alaska Activity

Adjacent to Otto Energy acreage, exploration success by other North Slope operators continues:

- In March 2017, the Repsol/Armstrong Horseshoe-1 well immediately to the west of Otto's acreage resulted in a significant conventional oil discovery which is estimated to contain approximately 1.2 billion barrels of recoverable light oil
- ConocoPhillips/Anadarko recently announced a Nanushuk Formation discovery of greater than 300 MMbbl.
- Caelus Energy discovered 2.4 Bbbl EUR light oil at Smith Bay in 2016.
- 88 Energy have drilled and are presently testing the Icewine #2 unconventional HRZ well to the immediate south of Otto's acreage.

Recent Activity

Operator continues to mature high impact exploration prospects for the 2018/19 northern winter drilling campaign. Opportunities which have the ability to test multiple play types and contain large volumetric upside will be given preference.

As part of its ongoing acreage management strategy the Joint Venture elected to relinquish 12 peripheral lease blocks during the quarter, which on the basis of detailed review of 3D seismic data are considered to be unprospective.

CORPORATE**CASH OUTFLOWS**

Otto's free cash reserve at the end of the quarter was US\$15.02 million (Sep 2017: US\$16.21 million).

Historic and expected cash outflows/(inflows) in the coming quarter are shown below:

	Mar 18 Qtr US\$m Forecast	Dec 17 Qtr US\$m Actual	Sep 17 Qtr US\$m Actual	Jun 17 Qtr US\$m Actual
Louisiana/Gulf of Mexico				
Development	10.56	5.59	2.82	1.01
Exploration	0.15	3.25	0.16	-
Tanzania	-	-	-	0.25
Alaska	-	-	-	0.15
Administration	0.86	1.08	0.74	1.16
Business Development	0.02	0.10	0.01	0.04
Issue of Shares (net of costs)	-	(8.83)	-	-
Convertible Notes (net of costs)	-	-	(7.89)	0.23
Refundable Security Bonds	0.60	-	0.15	-
Production Costs	0.38	-	-	-
Total	12.57	1.19	(4.01)	2.84

Capital Raising

During the quarter Otto raised a total of A\$12 million through a placement and a Share Purchase Plan (SPP) at A\$0.035 per share. The placement was heavily oversubscribed with strong support from new institutional and sophisticated investors. A\$8.3 million of the shares were issued on 1 November 2017 and the balance of A\$0.2 million of the new placement shares were issued to Directors on 1 December 2017 following approval at the Annual General Meeting on 29 November 2017.

The Share Purchase Plan also closed well ahead of expectations with applications of A\$6.2 million. After carefully considering the funding requirements of Otto and the desire of shareholders to participate in the offer, the Board accepted A\$3.5 million of the applications and the shares were issued on 27 November 2017.

The Company's placement capacity under Listing Rules 7.1 and 7.1A was restored by shareholders at the Annual General Meeting on 29 November 2017.

CORPORATE (CONTINUED)**SHAREHOLDERS**

Otto's issued capital as at 31 December 2017:

	Number
Fully paid ordinary shares ¹	1,529,298,490
Convertible Notes ²	8,200,000
Options	-
Performance Rights ³	20,457,000

Otto's Top 20 Holders as at 31 December 2017:

Rank	Name	Units	% of Units
1	Molton Holdings Limited	305,859,697	20.00%
2	Santo Holding AG	241,910,757	15.82%
3	J P Morgan Nominees Australia Limited	62,675,933	4.10%
4	BNP Paribas Nominees Pty Ltd	43,309,592	2.83%
5	Citicorp Nominees Pty Limited	20,045,234	1.31%
6	BNP Paribas Noms Pty Ltd	19,636,511	1.28%
7	John Jetter (Consolidated Relevant Interest)	19,446,318	1.27%
8	Merrill Lynch (Australia) Nominees Pty Limited	18,124,364	1.19%
9	HSBC Custody Nominees (Australia) Limited	15,487,070	1.01%
10	DBS Vickers Securities (Singapore) Pte Ltd	14,020,833	0.92%
11	Sphinx Holdings Ltd	10,252,361	0.67%
12	Jetan Pty Ltd	8,785,714	0.57%
13	Mr Andrew McCrea Coulter & Mrs Sally Anne Travis	8,278,572	0.54%
14	Forsyth Barr Custodians Ltd	7,546,222	0.49%
15	Mr Brian Lesleigh Williams & Mrs Valerie Ruby Dawn Williams	7,450,000	0.49%
16	Mr Rick Wayne Crabb & Mrs Carol Jean Crabb	7,395,052	0.48%
17	Matthew Gerard Allen (Consolidated Relevant Interest)	6,243,000	0.41%
18	Mr William George Williams	5,800,000	0.38%
19	Debuscey Pty Ltd	5,623,326	0.37%
20	Ian Macliver (Consolidated Relevant Interest)	5,406,864	0.35%
Total Top 20 Shareholders		833,297,420	54.49%
Total Remaining Shareholders		696,001,070	45.51%
Total Shares on Issue		1,529,298,490	100.0%

¹ As detailed under the capital raising section above, a total of 343,000,166 shares were issued at A\$0.035 during the quarter.

² Convertible notes have a face value of US\$1.00, are convertible at A\$0.055 and mature on 30 June 2019. Refer to the Notice of Meeting released to ASX on 23 June 2017 for more details.

³ 1,400,000 Performance rights expired on 31 December 2017. 14,187,000 performance rights were issued to Directors and senior employees on 29 November 2017. Refer to the Appendix B released on 1 December 2017 for further details.

OTTO AT A GLANCE

- ASX-listed company with a focus on high impact exploration for oil and gas with a regional focus on North America
- Drilling success and subsequent development sees return to production in March 2018
- Focus on proven basins with well-developed route to market
- Demonstrated commitment to shareholder value

DIRECTORS

Chairman:
John Jetter

Non-Executive Directors:
Ian Boserio
Ian Macliver

OFFICERS AND KEY MANAGEMENT

Managing Director & CEO:
Matthew Allen

Chief Financial Officer & Company Secretary:
David Rich

Vice President, Exploration and New Ventures:
Paul Senyica

CONTACTS

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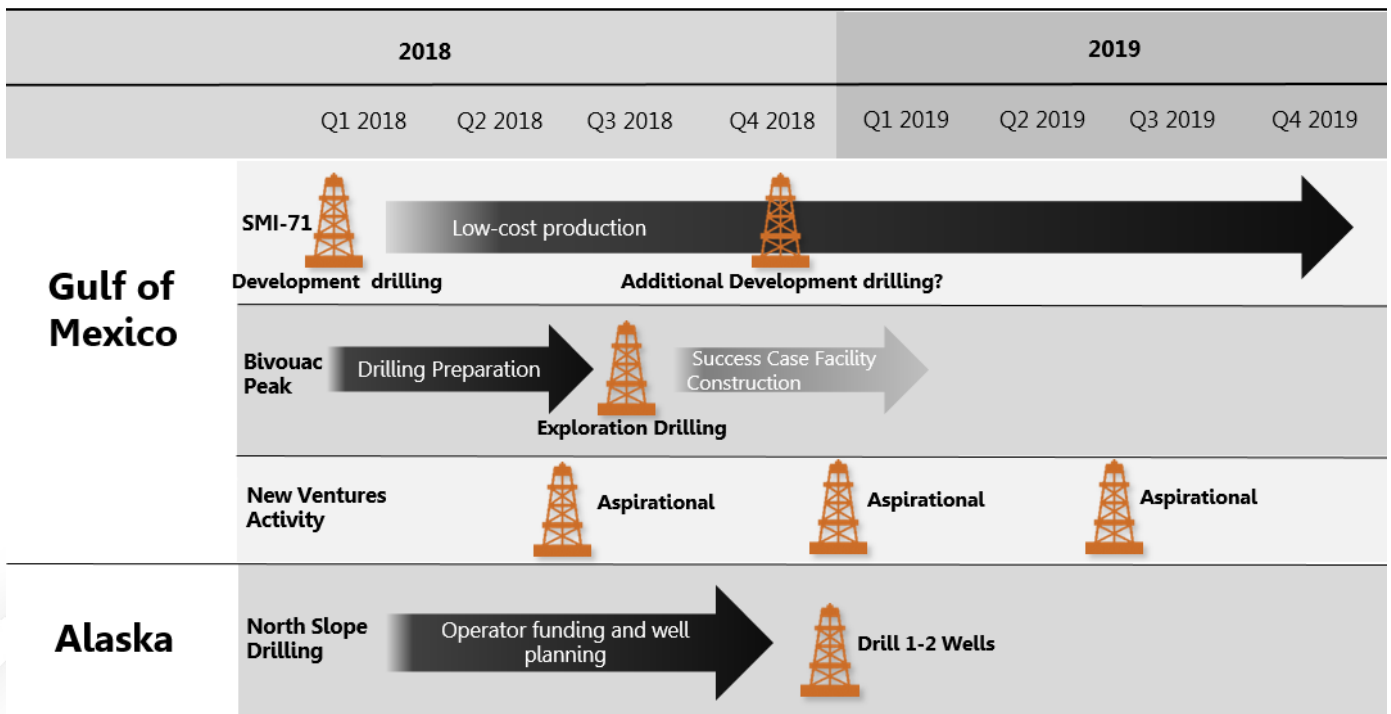
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Forward Activity Timeline



Definitions

- | | |
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| <p>(1) "\$m" means USD millions of dollars</p> <p>(2) "bbl" means barrel</p> <p>(3) "bbls" means barrels</p> <p>(4) "Mbbl" means thousand barrels</p> | <p>(5) "Mboe" means thousand barrels of oil equivalent ("BOE") with a BOE determined using a ratio of 6,000 cubic feet of natural gas to one barrel of oil – 6:1 conversion ratio is based on an energy equivalency conversion method and does not represent value equivalency</p> <p>(6) "MMscf" means million standard cubic feet</p> <p>(7) "MMboe" means million barrels of oil equivalent ("BOE") with a BOE determined using a ratio of 6,000 cubic feet of natural gas to one barrel of oil – 6:1 conversion ratio is based on an energy equivalency conversion method and does not represent value equivalency</p> |
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Competent Persons Statement

The information in this report that relates to oil and gas resources in relation to Alaska was compiled by technical employees of Great Bear Petroleum, the Operator of the Alaska acreage, and subsequently reviewed by Mr Paul Senyacia BSc (Hons) (Mining Engineering), MAppSc (Exploration Geophysics), who has consented to the inclusion of such information in this report in the form and context in which it appears.

Mr Senyacia is an employee 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 Senyacia. Mr Senyacia 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.

The reserve and contingent resource information in this report in relation to SM 71 and Bivouac Peak is based on information compiled by technical employees of independent consultants Collarini Associates, under the supervision of Mr Mitch Reece BSc PE. Mr Reece is the President of Collarini Associates and is a registered professional engineer in the State of Texas and a member of the Society of Petroleum Evaluation Engineers (SPEE), Society of Petroleum Engineers (SPE), and American Petroleum Institute (API). The reserves and 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 reserves and resources information reported in this Statement is based on, and fairly represents, information and supporting documentation prepared by, or under the supervision of, Mr Reece. Mr Reece 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.

Prospective Resources

Prospective resource estimates in this report for Alaska and Bivouac Peak are prepared as at 30 June 2017. The resource estimates have been prepared using the internationally recognised Petroleum Resources Management System to define resource classification and volumes. The resource estimates are in accordance with the standard definitions set out by the Society of Petroleum Engineers, further information on which is available at www.spe.org. The estimates are un-risked and have not been adjusted for both an associated chance of discovery and a chance of development. Otto is not aware of any new information or data that materially affects the assumptions and technical parameters underpinning the estimates of reserves and contingent resources and the relevant market announcements referenced continue to apply and have not materially changed.

Prospective Resources Cautionary Statement

The estimated quantities of petroleum that may potentially be recovered by the application of future development projects relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

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.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Otto Energy Limited

ABN

56 107 555 046

Quarter ended ("current quarter")

31 December 2017

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (6 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(3,249)	(3,411)
(b) development	(5,590)	(8,414)
(c) production	-	-
(d) staff costs	(371)	(863)
(e) administration and corporate costs	(846)	(1,168)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	51	94
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	10	22
- Refundable Security Bond	-	(150)
1.9 Net cash from / (used in) operating activities	(9,995)	(13,890)

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (6 months) \$US'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	9,166	9,166
3.2	Proceeds from issue of convertible notes	-	8,200
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(336)	(645)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	8,830	16,721

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (6 months) \$US'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	16,209	12,199
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(9,995)	(13,890)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	8,830	16,721
4.5	Effect of movement in exchange rates on cash held	(20)	(6)
4.6	Cash and cash equivalents at end of period	15,024	15,024

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		Current quarter \$US'000	Previous quarter \$US'000
5.1	Bank balances	15,024	16,209
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	15,024	16,209

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$US'000
149
-

Directors fees including superannuation where applicable

	<u>\$US'000</u>
Executive Director	94
Non-Executive Directors	<u>55</u>
Total	<u>149</u>

7. Payments to related entities of the entity and their associates	Current quarter \$US'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (Convertible Notes)	8,200	8,200

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

On 2 August 2017 the Company issued convertible notes to Molton Holdings Limited, a major Otto shareholder (US\$8 million), and Mr John Jetter, Otto's Chairman (US\$0.2 million). The interest rate is 14% plus a success fee. The notes are secured and the Maturity Date is 30 June 2019. Key terms of the convertible notes are set out in the Notice of Meeting released to ASX on 23 June 2017.

9. Estimated cash outflows for next quarter	\$US'000
9.1 Exploration and evaluation	(150)
9.2 Development	(10,559)
9.3 Production	(380)
9.4 Staff costs	(359)
9.5 Administration and corporate costs	(570)
9.6 Other (provide details if material)	
- Refundable security bond	(600)
9.7 Total estimated cash outflows	(12,618)

Mining exploration entity and oil and gas exploration entity quarterly report

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	N/A			
10.2	Interests in mining tenements and petroleum tenements acquired or increased	ST 224 Gulf of Mexico, Louisiana, USA	25% Working Interest	Nil	25% WI

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



Date: 24 January 2018

CFO & Company Secretary

Print name: David Rich

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.