

QUARTERLY REPORT

THREE MONTHS ENDED 30 SEPTEMBER 2019

QUARTERLY HIGHLIGHTS FOR OTTO ENERGY LIMITED (ASX:OEL)

PRODUCTION

- Otto's hydrocarbon sales for the quarter equate to 2,623 boe/d, a 28% increase over the prior quarter
- Otto achieved a 4% increase in sales revenue for the quarter on the back of steady oil revenue and a substantial increase in gas and NGL revenue from a full quarter of production from Lightning
- Otto received proceeds of US\$6.8 million net of royalties relating to June, July and August 2019 production
- Maiden Lightning Proved and Probable Reserves (2P)¹ reported of 2.235 MMboe net to Otto

EXPLORATION AND DEVELOPMENT – GULF OF MEXICO:

- The Green Canyon 21 (GC 21) Bulleit Appraisal well confirmed as commercial discovery in DTR-10 sand and the deeper MP sands in August 2019. Development is in progress
- Mustang exploration well intersected 57 feet of net hydrocarbon pay in July 2019. The well is currently undergoing production testing and analysis with test results due shortly.
- Permitting process for the Beluga exploration well continued during the quarter

CORPORATE / FINANCIAL:

- Closing cash balance of US\$8.8 million (A\$12.5 million)
- Finance facility negotiations continued during the quarter with execution due imminently

THREE-MONTH OUTLOOK

- Otto expects to continue to receive cash flows from the sale of steady state production from its 50% owned SM 71 oil field in the Gulf of Mexico
- Texas, Gulf Coast: Lightning to continue liquids-rich gas and condensate production
- Texas, Gulf Coast: Results of Mustang production test
- Offshore Gulf of Mexico: GC 21 "Bulleit" development plan approval
- Beluga onshore exploration well with Hilcorp Energy expected to commence drilling

Note 1: Refer to Annual Reserves statement for the year ended 30 June 2019, released to the ASX on 19 September 2019, for additional disclosures and information on calculation. Otto Energy is not aware of any new information or data that materially affects the information provided in that release and all material assumptions and technical parameters underpinning the assessment provided in the announcement continue to apply.

PRODUCTION AND REVENUE SUMMARY

Production Volumes	Prior Quarter*	Current Quarter	Change
Gross (100%)			
Oil (bbls)	270,677	293,788	9%
Gas (Mscf)	636,589	1,215,212	91%
NGLs (bbls)	7,591	42,767	463%
Otto WI Share			
Oil (bbls)	134,628	143,186	6%
Gas (Mscf)	297,370	492,771	66%
NGLs (bbls)	2,847	16,038	463%
Otto NRI Share			
Oil (bbls)	109,277	115,670	6%
Gas (Mscf)	238,433	379,660	59%
NGLs (bbls)	2,169	12,066	456%

Otto WI Share			
boe/d	2,055	2,623	28%

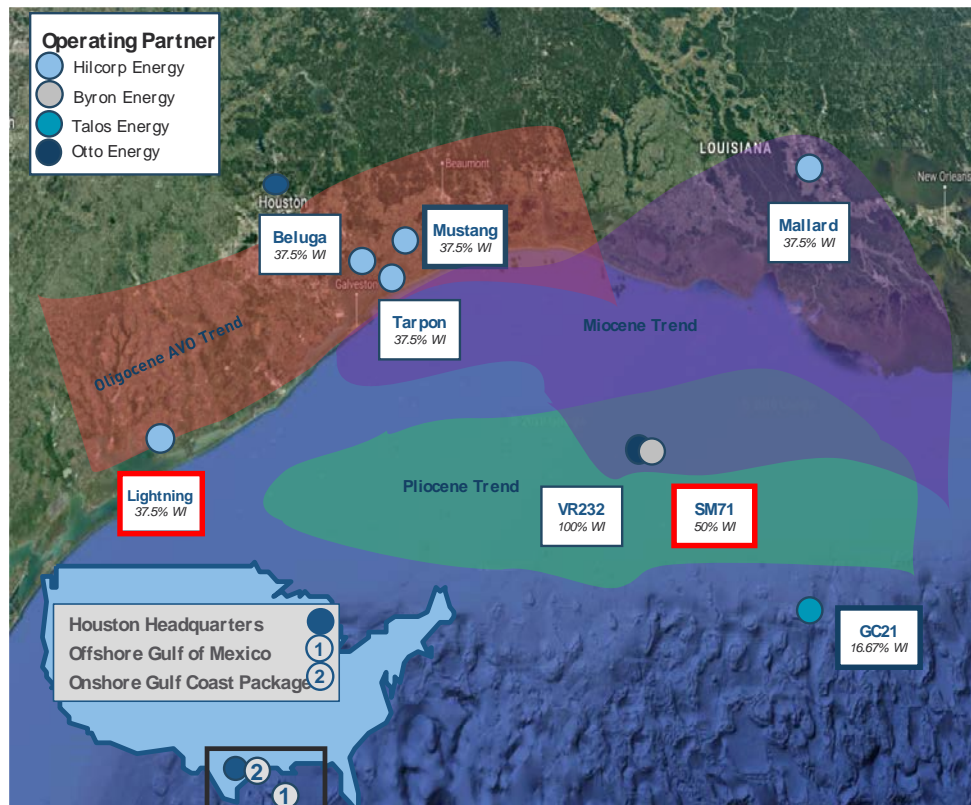
Sales Revenue WI share (before royalties) (USD)	Prior Quarter	Current Quarter	Change
Oil - \$'million	8.29	8.20	-1%
Oil - \$ per bbl	61.57	57.29	-7%
Gas - \$'000	786	1104	40%
Gas - \$ per MMbtu	2.46	\$2.20	-11%
NGLs - \$'000	31.54	188.84	499%
NGLs - \$ per bbl	11.08	11.77	6%
Total	9.11	9.50	4%

*Note prior quarter includes only partial quarter of production from Lightning.

Otto Energy Projects - Gulf of Mexico

Metric	SM 71	Lightning	Gulf Coast	Green Canyon 21	VR 232
Type	JV	JV	JV	JV	JV
Ownership Structure	50% WI	37.5% WI	37.5% WI (50% of Cost ¹)	16.67% WI	100% WI
NRI	40.625%	28.50%	28.50%	13.336%	81.25%
Status	Production	Production	Exploration	Development	Exploration
Onshore/Offshore	Offshore	Onshore	Onshore	Offshore	Offshore
Operator	Byron Energy (50% WI)	Hilcorp (62.5% WI)	Hilcorp (62.5% WI)	Talos Energy (50% WI)	Otto Energy
Comments	3 Wells Generating ~US\$2 Mil. Op Net Cashflow per month and new wells under evaluation	Steady state oil and gas production. 2 nd Dev well , Green #2, currently in progress	3-4 wells remaining. Mustang currently undergoing testing and analysis	Commercial oil discovery. Talos to complete well in mid2020	Block adjacent to SM 71

Otto Energy Location and Formation - Gulf of Mexico



PRODUCTION, APPRAISAL AND DEVELOPMENT

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

Location: Offshore Gulf of Mexico
Area: 12.16 km²
Otto’s Working Interest: 50.00% with Byron Energy Inc. (Operator)

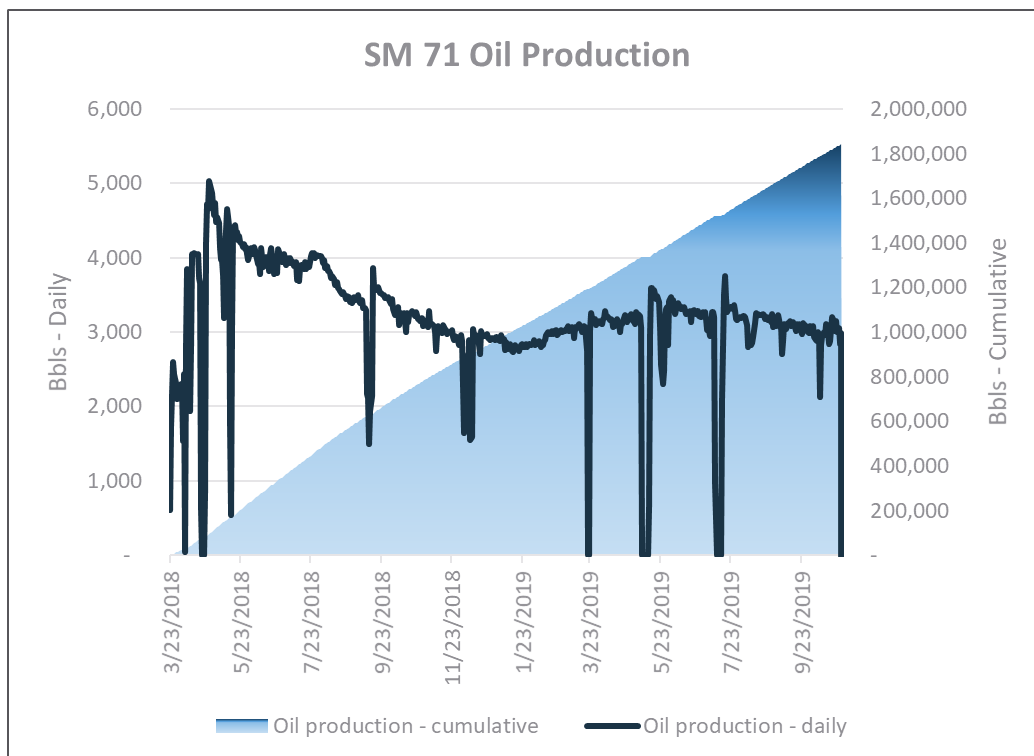
Otto owns a 50% Working Interest (“WI”) and a 40.625% Net Revenue Interest (“NRI”) in the South Marsh Island block 71 (“SM 71”), with Byron Energy Limited (“Byron”) the operator, holding an equivalent WI and NRI. Water depth in the area is approximately 137 feet.

Production from the SM 71 F platform commenced in March 2018. The F1 and F3 wells are producing in the primary D5 Sand reservoir and the F2 well is producing from the B55 Sand, a secondary exploration target.

As of 30 September 2019, the SM 71 F facility has produced approximately 1.8 million barrels of oil (gross) since initial production began. The facility has also produced over 2.5 billion cubic feet of gas (gross) which, on a revenue basis, is approximately equivalent to an additional 123,000 barrels of oil.

Production from the SM 71 development was impacted by the passing of Hurricane Barry during July 2019. The SM 71 Platform was shut in and operating personnel were safely evacuated on 10 July 2019, US time. Production personnel returned to the platform on 16 July and determined that the facility was undamaged by the storm.

Production returned to normal levels following testing and re-pressurization of the system on 18 July 2019. As of 30 September 2019, the SM71 platform gross production rate was approximately 3,100 barrels of oil per day and 3.0 million cubic feet of gas per day and no water from all three wells. As of the date of this report, daily production rates are consistent with the daily production rates as of 30 September 2019.



SM 71 Production and Revenue for the Quarter Ended 30 September 2019

Production Volumes	Prior Quarter	Current Quarter	% change
Gross (100%)			
SM 71 – Oil (bbls)	264,992	264,126	0%
SM 71 – Oil (bopd)	2,912	2,871	-1%
SM 71 – Gas (Mscf)	469,196	296,535	-37%
Otto WI Share (50%)			
SM 71 – Oil (bbls)	132,496	132,063	0%
SM 71 – Oil (bopd)	1,456	1,435	-1%
SM 71 – Gas (Mscf)	234,598	148,267	-37%
Otto NRI Share (40.625%)			
SM 71 – Oil (bbls)	107,653	107,301	0%
SM 71 – Oil (bopd)	1,183	1,166	-1%
SM 71 – Gas (Mscf)	190,611	120,467	-37%

Sales Revenue – Otto 50% WI share (before royalties) USD	Prior Quarter	Current Quarter	% change
SM 71 – Oil - \$'million	8.16	7.55	-7%
SM 71 – Oil - \$ per bbl	61.59	57.18	-7%
SM 71 – Gas - \$'000	643	373	-42%
SM 71 – Gas - \$ per MMbtu	2.49	\$2.29	-8%

Notes

- Otto sells its high quality Louisiana Light Sweet crude (“LLS”) produced at SM 71 at premium to West Texas Intermediate (“WTI”) based on current LLS versus WTI price differentials. Deductions are then applied for transportation, oil shrinkage, basic sediment & water (BS&W), and other applicable adjustments.
- Gas revenues include NGLs. Average 1 Mscf = 1.10 MMbtu for the quarter for SM 71 production. The thermal content of SM 71 gas may vary over time.

PRODUCTION, APPRAISAL AND DEVELOPMENT (Continued)**TEXAS/GULF OF MEXICO – LIGHTNING**

Location: Onshore Matagorda County, Texas
Otto's Working Interest: 37.50% - Hilcorp Energy (62.50% and Operator)

The Lightning Field commissioning was completed and production commenced during the June quarter 2019. Production from the Lightning field is currently producing 11.5 MMscf/day in raw gas and 332 bbl/day in condensate. Otto's 37.5% Working Interest share is 4.3 MMscf/d and 125 bbls/d. The first full month of hydrocarbon sales contribution was July 2019.

Maiden reserves were reported at Lightning as part of the Annual Reserves Statement released to the ASX on 19 September 2019 with Proved and Probable (2P) reserves of 2.2 MMboe net to Otto.

The Green #2 development well commenced drilling in October 2019 and is expected to be completed for production in early 2020.

Lightning Production and Revenue for the Quarter Ended 30 September 2019

Production Volumes	Prior Quarter*	Current Quarter	% change
Gross (100%)			
Lightning – Oil (bbls)	5,685	29,661	422%
Lightning – Gas (Mscf)	167,393	918,677	449%
Lightning – NGLs (bbls)	7,591	42,767	463%
Otto WI Share (37.5%)			
Lightning – Oil (bbls)	2,132	11,123	422%
Lightning – Gas (Mscf)	62,772	344,504	449%
Lightning – NGLs (bbls)	2,847	16,038	463%
Otto NRI Share (28.21371%)			
Lightning – Oil (bbls)	1,624	8,369	415%
Lightning – Gas (Mscf)	47,822	259,193	442%
Lightning – NGLs (bbls)	2,169	12,066	456%

Sales Revenue – Otto 37.5% WI share (before royalties) USD	Prior Quarter	Current Quarter	% change
Oil - \$'million	0.13	0.65	403%
Oil - \$ per bbl	60.70	58.49	-4%
Gas - \$'000	143.33	731	410%
Gas - \$ per MMbtu	2.32	2.16	-7%
NGLs - \$'000	31.54	189	499%
NGLs - \$ per bbl	11.08	11.77	6%

* Prior quarter Lightning production reflects only limited production during start up and commissioning of field during May and June 2019.

PRODUCTION, APPRAISAL AND DEVELOPMENT (Continued)

GULF OF MEXICO – GREEN CANYON 21

Location: Offshore, Gulf of Mexico
Otto's Working Interest: 16.67% - Talos Energy (50.00% and Operator)

Details of the Green Canyon 21 Farm-in Agreement

Otto Energy has earned a 16.67% working interest by funding 22.22% of the costs to drill the initial "Bulleit" appraisal well (subject to a cap on the promoted portion). All subsequent costs of completion and development, including any further wells, shall be at Otto's working interest of 16.67%.

Appraisal Well and Development

The "Bulleit" appraisal well commenced drilling on 6 May 2019. On 13 June 2019, the Company announced that the upper target, the DTR-10 sand, was intersected and a commercial outcome was confirmed. On 8 August 2019 Otto announced the deeper MP sands were intersected and a net 110 feet of TVD oil pay was intersected in a high quality reservoir.

Development planning is ongoing with the plan tabled to JV as announced on 4 October 2019. Talos will complete the well as a subsea tieback with a smart completion; tying back to the Talos operated GC 18A Platform. Completion of the "Bulleit" well is expected by mid-2020 with first production in late Q3 2020.

EXPLORATION

LOUISIANA & TEXAS/GULF OF MEXICO – HILCORP PROGRAM

Location: Onshore/Near Shore Texas and Louisiana, Gulf of Mexico
Otto's Working Interest: 37.50% - Hilcorp Energy (62.50% and Operator)

On 31 July 2018 Otto announced that it had entered into a joint venture with Hilcorp Energy which will see it earn a 37.5% working interest in an eight well portfolio of prospects in the Onshore/Near Shore USA Gulf Coast (Gulf of Mexico). The wells are being drilled by Hilcorp, a highly experienced operator based in Houston.

Otto will earn a 37.5% working interest by paying 50.0% of the costs of drilling and either setting casing or plugging and abandoning the well plus lease acquisition costs at each of the eight prospects.

Four wells have now been drilled (Big Tex, Lightning, Don Julio 2 and Mustang) with Lightning being a discovery with net pay of 180 feet which is significantly in excess of the pre-drill estimates. Further details on Lightning are covered in the production section of this report.

On 23 July 2019 Otto announced that the initial exploration well on the Mustang prospect had discovered a net 57 foot TVT interval of hydrocarbon pay. The well is currently undergoing testing for final evaluation of the well.

There are three to four wells left in the program which are expected to be drilled over the next 3-9 months, subject to finalising permitting approvals. Beluga is expected to commence drilling following the receipt of required permits, currently estimated in Q4 2019.

Prospect Name (State)	Working Interest	Net Revenue Interest	Target Depth (TVD) ft	Probability of Success	Prospective Resources (MMboe)			
					Otto Net Revenue Interest			
					P90	P50	Mean	P10
Beluga, TX	37.5%	30.00%	13,000	45%	0.2	0.9	1.4	3.4
Mallard, LA	37.5%	29.63%	11,000	64%	0.1	0.3	0.5	1.3
Tarpon, TX	37.5%	29.06%	14,000	34%	2.2	7.0	10.5	23.5
Oil Lake, LA	37.5%	29.06%	14,500	45%	0.3	1.0	1.3	2.7

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.

Additional Upside

With the drilling of the Mustang prospect, Otto has ground floor rights (ie pays only its working interest) to participate in the nearby Corsair/Hellcat opportunities. These wells are in addition to the original program announced with Hilcorp. Should the Tarpon prospect be successful then Otto has ground floor rights (ie. It pays only its working interest) to participate in the nearby Damsel opportunity.

Under the agreement with Hilcorp (JEDA) Otto has a right of first offer to a subsequent Gulf Coast program, if Hilcorp elect to offer such a program to third parties.

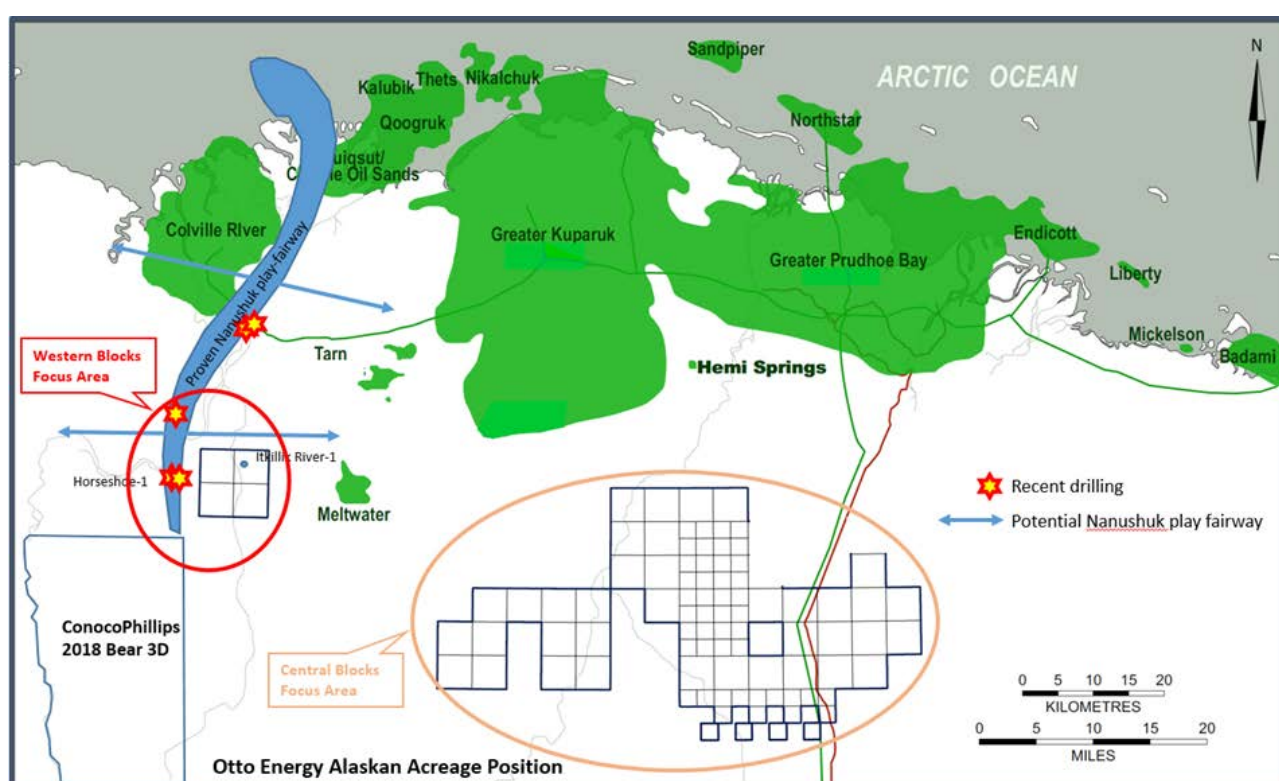
EXPLORATION (Continued)

LOUISIANA/GULF OF MEXICO – VERMILLION BLOCK 232 (VR 232)

Location: Offshore Gulf of Mexico
Area: 18.31 km²
Otto’s Working Interest: 100.0% (Otto is Operator)

As reported on 9 May 2019, Otto acquired Byron Energy’s 50% interest in, and operatorship of, VR 232 at no cost. VR 232 is adjacent to Otto’s 50% owned South Marsh Island Block 71 oil field and production platform. Otto has ownership of recently reprocessed 3D seismic coverage over the SM 71 and VR 232 area and is evaluating prospect potential of the area.

ONSHORE NORTH SLOPE ALASKA



ALASKA – WESTERN BLOCKS

Location: Onshore North Slope Alaska
Area: 92 km²
Otto’s Interest: 22.5% – Great Bear Petroleum Operating (Operator of record)

Otto’s participation in the JV including 88 Energy and Red Emperor Resources continues following the drilling and plug and abandonment of the Winx-1 well in March 2019. The forward plan is to further evaluate and integrate the valuable data acquired at Winx and reprocess the Nanuq 3D seismic (2004) in order to evaluate the remaining prospectivity on the Western Leases including the Nanushuk Fairway potential.

EXPLORATION (Continued)

ALASKA – CENTRAL BLOCKS

Location:	Onshore North Slope Alaska
Area:	624.4 km ²
Otto's Interest:	8%-10.8% – Great Bear Petroleum Operating (Operator)

Through its agreements with Great Bear Petroleum Operating ("Great Bear") in 2015, Otto has between an 8% and 10.8% working interest in 54 leases (covering 154,295 gross acres) held by Pantheon Resources plc (AIM: PANR) on the Alaskan North Slope ("Central Blocks").

Pantheon acquired Great Bear Petroleum Ventures I LLC and Great Bear Petroleum Ventures II LLC (collectively: Great Bear) in 2018.

The leases are in a major play fairway south of the Prudhoe Bay and Kuparuk giant oil fields.

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.

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

Otto's exposure on the first two wells is limited to US\$2.6m/well. Otto had no activity in this area during the September Quarter 2019.

CORPORATE

CASH FLOWS

Otto's cash on hand at the end of the quarter was US\$8.8 million (June 2019: US\$7.4 million). During the September quarter, Otto received US\$6.8 million in cash flows from the sale of production from its 50% owned SM 71 oil field in the Gulf of Mexico and its 37.5% owned Lightning field, net of royalties. September SM 71 production cashflows of US\$2.6 million (before royalties) and Lightning net receipts of US\$0.4 million have been received in October 2019.

COMMODITY PRICE RISK MANAGEMENT

On 3 April 2019 Otto announced that it has implemented a hedging program in the United States for its SM 71 oil production. The hedging program is designed to provide certainty of cash flows and funding during a period of significant investment in growth projects.

On 20 September 2019 Otto acquired \$55.00 per barrel LLS benchmark Put options over 34,500 barrels of oil from October 2019 to January 2020 at a premium of \$1.83 per barrel in accordance with its commodity price risk management policy.

At quarter end 30 September 2019 Otto had a total hedge book of 48,500 barrels of LLS benchmark Put options with a weighted average \$56.44 strike price covering the period of October 2019 to January 2020.

BOARD UPDATE

On 11 September 2019, Otto announced a Board renewal process in support of its US Gulf of Mexico strategy. Otto's Chairperson, Mr. John Jetter, has confirmed to the Board that he will step down from the role of Chairperson at the coming Annual General Meeting of shareholders in November 2019. Mr Jetter will remain as a non-executive director and serve on the current Board Committees of which he is a member in order to oversee the seamless transition of the role of Chairperson and the successful delivery of Otto's Board renewal.

Mr Ian Boserio has been nominated by the Board as Chairperson Elect to assume the role vacated at the 2019 Annual General Meeting by Mr Jetter. In the meantime Mr Boserio will assume the role of Deputy Chair.

Otto's Non-Executive Director and Audit and Risk Committee Chairperson, Mr Ian Macliver, has advised the Board that he also will retire at the upcoming 2019 Annual General Meeting on 21 November 2019.

CORPORATE (Continued)**SHAREHOLDERS****Otto's issued capital as at 30 September 2019:**

Class	Number
Fully paid ordinary shares	2,460,464,725
Convertible Notes	-
Options	-
Performance Rights	46,756,000

Otto's Top 20 Holders as at 30 September 2019:

Rank	Name	Units	% of Units
1	HSBC Custody Nominees (Australia) Limited	391,577,584	15.91%
2	National Nominees Limited	216,008,456	8.78%
3	Citicorp Nominees Pty Limited	202,477,798	8.23%
4	BNP Paribas Nominees Pty Ltd <AGENCY LENDING DRP A/C>	99,858,802	4.06%
5	J P Morgan Nominees Australia Limited	88,150,824	3.58%
6	BNP Paribas Nominees Pty Ltd <IB AU NOMS RETAILCLIENT DRP>	82,965,175	3.37%
7	BNP Paribas Noms Pty Ltd <DRP>	79,318,946	3.22%
8	Merrill Lynch (Australia) Nominees Pty Limited	37,282,317	1.52%
9	AMP Life Limited	31,902,116	1.30%
10	CS Third Nominees Pty Limited <HSBC CUST NOM AU LTD 13 A/C>	31,363,547	1.27%
11	Nero Resource Fund Pty Ltd	19,049,153	0.77%
12	Mr. Jamie Pherous <BLACK DUCK HOLDINGS A/C>	18,000,000	0.73%
13	National Nominees Limited <DB A/C>	15,194,064	0.62%
14	DBS Vickers Securities (Singapore) Pte Ltd <CLIENT ACCOUNT>	14,020,833	0.57%
15	Black Gold Exploration P/L	13,250,000	0.54%
16	Mr John Philip Daniels	19,049,153	0.49%
17	Ecapital Nominees Pty Ltd <ACCUMULATION A/C>	11,402,622	0.46%
18	Mr Matthew Gerard Allen	10,770,801	0.44%
19	Mr William George Williams	10,243,330	0.42%
20	Black Gold Nominees Pty Ltd <David Beverley Family A/C>	9,700,000	0.39%
Total Top 20 Shareholders		1,394,586,368	56.68%
Total Remaining Shareholders		1,065,878,357	43.32%
Total Shares on Issue		2,460,464,725	100.0%

Substantial Shareholders as at 30 September 2019:

Name	Units	% of Units
Perennial Value Management	365,310,079	14.85%
Molton Holdings Limited	305,859,697	12.43%
AMP Capital	123,148,146	5.01%

OTTO AT A GLANCE

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 its SM 71 oil field in the Gulf of Mexico and gas/condensate production from its Lightning discovery onshore Matagorda County, Texas. Development is underway at the Green Canon 21 oil discovery in the Gulf of Mexico. Cashflow from its producing assets underpins its growth strategy including an active exploration and appraisal program in the Gulf of Mexico region.

DIRECTORS

John Jetter - Non-Executive Chairman
Matthew Allen - Managing Director & CEO
Ian Boserio - Non-Executive
Ian Macliver - Non-Executive
Paul Senyica - Non-Executive
Kevin Small - Executive Director

Chief Financial Officer & Company Secretary:

David Rich

ASX Code: OEL

CONTACTS

32 Delhi Street
West Perth WA 6005 Australia

INVESTOR RELATIONS:

Krista Walter
Mark Lindh (Adelaide Equity Partners)
E: investor-relations@ottoenergy.com
P: +61 (0) 2 4017 1257
P: +61 414 551 361

Competent Persons Statement

The information in this report that relates to oil and gas reserves and resources at the Lightning Field was compiled by technical employees of independent consultants Ryder Scott Company, under the supervision of Mr. Ali Porbandarwala PE. Mr. Porbandarwala is a Senior Vice President at Ryder Scott Company and is a registered professional engineer in the State of Texas and a member of the Society of Petroleum Engineers (SPE). He has a B.S. Chemical Engineering from the University of Kansas and an MBA from the University of Texas. The reserves 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 information reported in this Statement are based on, and fairly represents, information and supporting documentation prepared by, or under the supervision of Mr. Porbandarwala. Mr. Porbandarwala 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 information in this report that relates to oil and gas prospective resources in relation to the Gulf Coast Package (Beluga, Oil Lake, Tarpon and Mallard) in the Gulf of Mexico was compiled by technical employees of Hilcorp Energy Company, the Operator of the Gulf Coast Package, and subsequently reviewed by Mr Ed Buckle B.S. Chemical Engineering (Magna Cum Laude) who has consented to the inclusion of such information in this report in the form and context in which it appears.

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.

Prospective Resources

The Gulf Coast Package prospective resource estimates in this report are effective as at 30 June 2019.

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 prospective resource estimates have been prepared using the deterministic method except for the Gulf Coast Package and Green Canyon 21 which have used the probabilistic method. The prospective resources information in this document is reported according to the Company's economic interest in each of the resources and net of royalties. The prospective resources information in this document has been estimated using a 6:1 BOE conversion ratio for gas to oil; 6:1 conversion ratio is based on an energy equivalency conversion method and does not represent value equivalency. The estimates are un-risked and have not been adjusted for either an associated chance of discovery or a chance of development. The 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. Prospective resources are reported on a best estimate basis. 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 statements.

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 probabilistic 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.*

Definitions

- "\$m" means USD millions of dollars
- "bbl" means barrel
- "bbls" means barrels
- "bopd" means barrels of oil per day
- "Mbbbl" means thousand barrels
- "Mscf" means 1000 standard cubic feet
- "NGLs" means natural gas liquids
- "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
- "MMscf" means million standard cubic feet
- "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
- "MMbtu" means million British thermal units

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")

30 September 2019

Consolidated statement of cash flows	Current quarter US\$'000	Year to date (12 months) US\$'000
1. Cash flows from operating activities		
1.1 Receipts from customers (net of royalties)*	6,810	6,810
1.2 Payments for		
(a) exploration & evaluation	(2,840)	(2,840)
(b) development	-	-
(c) production	(970)	(970)
(d) staff costs	(663)	(663)
(e) administration and corporate costs	(383)	(383)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	10	10
1.5 Interest and other costs of finance paid**	(481)	(481)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
	-	-
1.9 Net cash from / (used in) operating activities	1,483	1,483

*SM 71 receipts of US\$8,258,546 less royalties of US\$2,004,002 and Lightning net receipts of US\$555,529

**US withholding tax of US\$293,937 and success fee paid on redemption of convertible notes US\$187,058.

Consolidated statement of cash flows	Current quarter US\$'000	Year to date (12 months) US\$'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(11)	(11)
(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	(11)	(11)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	(44)	(44)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	(44)	(44)

Consolidated statement of cash flows	Current quarter US\$'000	Year to date (12 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	7,383	7,383
4.2 Net cash from / (used in) operating activities (item 1.9 above)	1,483	1,483
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(11)	(11)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(44)	(44)
4.5 Effect of movement in exchange rates on cash held	(18)	(18)
4.6 Cash and cash equivalents at end of period	8,793	8,793

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	8,793	7,383
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)	8,793	7,383

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

Current quarter US\$'000
271
-

- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Directors fees including superannuation where applicable

	<u>US\$'000</u>
Executive Directors	184
Non-Executive Directors	<u>87</u>
Total	<u>271</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	-	-
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.		

9. Estimated cash outflows for next quarter	US\$'000
9.1 Exploration and evaluation	7,400
9.2 Development	4,600
9.3 Production	690
9.4 Staff costs	719
9.5 Administration and corporate costs	581
9.6 Other	0
9.7 Total estimated cash outflows	13,990

Note that Otto expects to receive substantial proceeds from sales of oil and gas production during the coming quarter from its 50% owned SM 71 oil field and 37.5% owned Lightning gas/condensate field.

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				
10.2	Interests in mining tenements and petroleum tenements acquired or increased	Green Canyon 21 (GC 21) – Gulf of Mexico	Working Interest (WI) Net Revenue Interest	Nil Nil	16.67% 13.34%

The Hilcorp Gulf Coast undrilled prospects are rights to earn in to leases and not yet interests so won't be included in the above until the earn in has occurred.

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: 31 October 2019

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.