

ASX ANNOUNCEMENT

22 March 2018

SM 71 UPDATE: PRODUCTION TO COMMENCE THIS WEEK

- **SM 71 F1 and F2 wells connected ready for start up**
- **Production expected to commence at SM 71 late this week**

Otto Energy Limited (ASX:OEL) (“Otto” or the “Company”) provides the following update on the progress of the SM 71 oil field development.

SM 71 F1 and F2 Wells

Over the past week, both the SM 71 F1 and F2 wells have been connected to the production manifold in preparation for start-up. In addition, all other piping to allow production has been concluded and safety systems have been connected and tested. The Bureau of Safety and Environmental Enforcement (“BSEE”) conducted the last of its required inspections on 20 March 2018 with no material issues to resolve. Pending final notification, the platform will be approved so that start-up can occur before the end of the week. At that point, both the F1 and F2 wells will be brought into production one by one and tested to establish proper, stable rates.

Otto will make its next announcement once the initial wells have been brought on line and flow rates are stabilized.

SM 71 F3 Well

As announced on 15 March 2018, at the end of an otherwise successful sand control operation in the SM 71 F3 wellbore, the completion assembly became stuck across the D5 Sand interval. Since then, operations to remove the assembly have been ongoing. Coiled tubing was mobilised to the location and was used to successfully wash out the inside of the drill pipe. The drill pipe was then cut above a packer and fishing operations were initiated. At approximately 10:45 am US Central Daylight Time on 21 March 2018, while jarring on the stuck tool there were indications that the completion tools may have come free. Fluid losses in the wellbore observed at the time are consistent with expectations for retrieval of the completion tool. Currently, the rig is pulling the drill pipe out of the hole and the results will be known later tonight US time. If the tool is free and comes to the surface, further work will be undertaken to ensure the D5 Sand completion is intact before the F3 well can be placed online. While the current situation is time consuming, it is important that the progressive steps to remove the stuck tool be followed closely to help ensure success.

Otto holds a 50% working interest (40.625% net revenue interest) in South Marsh Island Block 71 through a wholly owned subsidiary Otto Energy (Louisiana) LLC. The operator, Byron Energy Inc., a wholly owned subsidiary of Byron Energy Limited (ASX: BYE) holds the remaining 50% working interest.

Otto’s Managing Director, Matthew Allen, commented: *“It is exciting for Otto to be so close to significant production and cashflow. Byron have done a great job to get the F1 and F2 wells ready for production while working on the issues with the F3 well.*

“The information from the perforation of the F3 well has confirmed that this well will be a valuable long-term producer for the joint venture. The delays in bringing the F3 well into production are minor in the context of the overall project and are not expected to impact the project’s substantial valuation.”

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