

**ASX ANNOUNCEMENT**

19 June 2018

**VR 232 LEASE AWARDED**

- **Otto’s partner Byron has been advised by the BOEM that VR 232 has been awarded**
- **VR 232 will provide additional drilling opportunities near Otto’s SM 71 producing oil field**
- **Otto has the right to participate for a 50% working interest in VR 232**

Otto Energy Limited (ASX:OEL) (“Otto” or the “Company”) is pleased to advise that Byron Energy Inc, a wholly owned subsidiary of Byron Energy Limited (ASX:BYE)(“Byron”), has been advised by the Bureau of Ocean Energy Management (“BOEM”) that its bid for VR 232 is deemed acceptable by the BOEM and the leases have been awarded to Byron. The lease is subject to a 12.5% Federal Government royalty.

VR 232 is adjacent to Otto’s 50% owned South Marsh Island Block 71 (“SM 71”) oil field and upon award, will add drilling opportunities and increase Otto’s potential upside around the SM 71 facilities.

The Operator, Byron, has mapped a gas and gas condensate prospect on the block with in-house calculated gross prospective resource potential of 11 Bcf and 170,000 barrels. This prospect could be tested from Otto’s SM 71 F platform. There are currently no plans to drill VR 232 until production levels at the platform would allow a successful VR 232 well to be produced efficiently. The Operator has also identified two other prospects in VR 232 which require further geophysical evaluation before a drilling decision is made.

Byron evaluated these blocks with the same high-quality Reverse Time Migrated 3D seismic data and proprietary Inversion processed seismic data used in the discovery of oil and gas at SM 71 in 2016. Upon award, Otto’s working interest would be 50% and net revenue interest would be 43.75%.

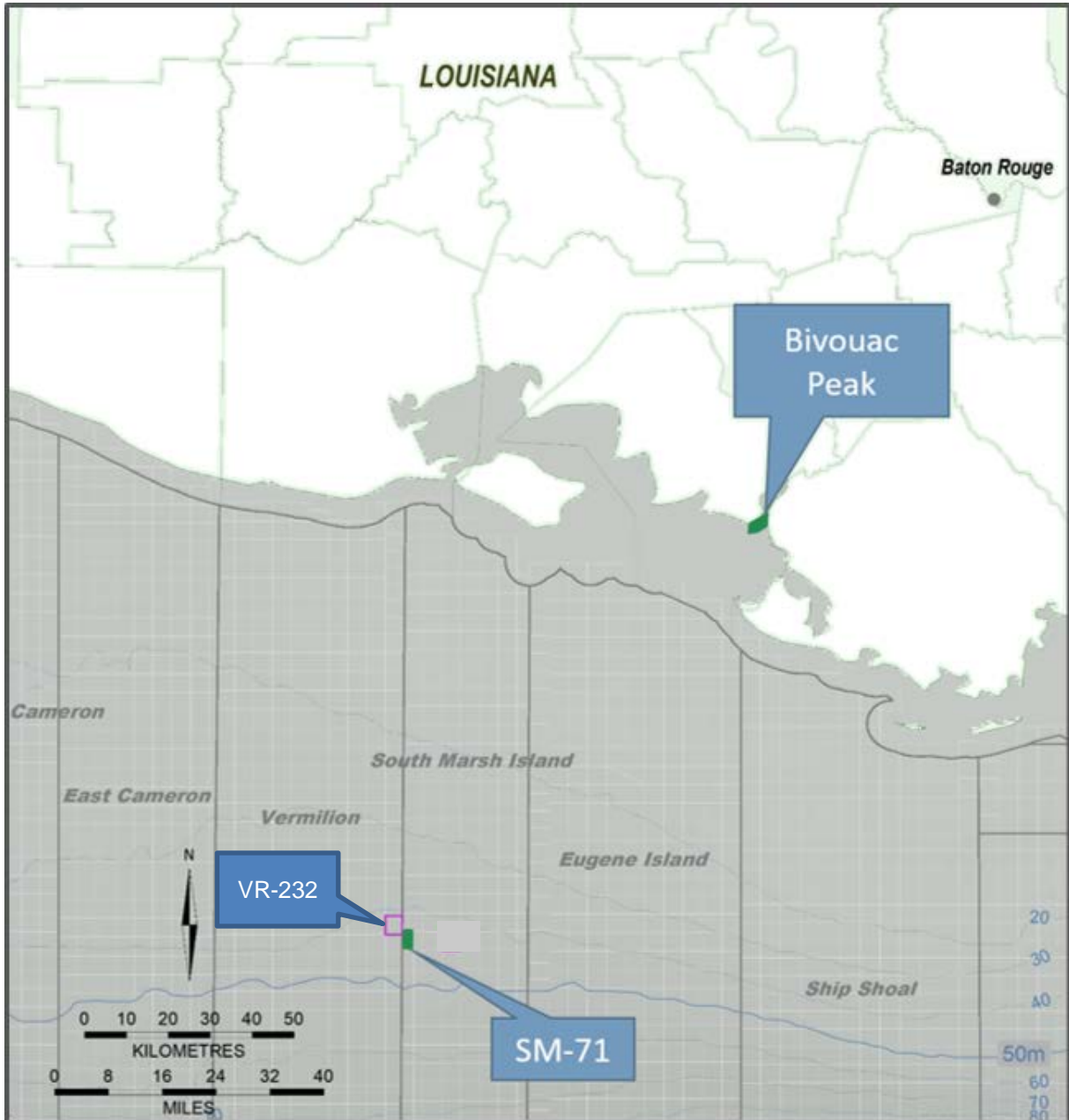
Pursuant to a Participation Agreement, effective 1 December 2015, between Byron and Otto, Otto has the right to participate for a fifty percent (50%) working interest in VR 232. Under that agreement, Otto must pay an amount equal to a gross one hundred thirty-three percent (133%) of Otto’s fifty percent (50%) interest share of lease acquisition costs and the initial test well (dry hole costs) plus a gross fifty percent (50%) of other past costs paid by Byron. Under Byron’s bid of US\$1.101 million for VR 232, Otto’s share would be US\$734,000. Having elected to participate in a staged farm-in at Bivouac Peak and upon the award of VR 232, Otto’s right to participate in new assets or projects under the December 2015 Participation Agreement has been fulfilled.

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: *“This is great news for Otto and our joint venture. VR 232 provides further upside around the SM 71 field that is currently producing around 4,000 bopd.”*

<p>Contact: Matthew Allen Managing Director &amp; CEO +61 8 6467 8800 <a href="mailto:info@ottoenergy.com">info@ottoenergy.com</a></p>	<p>Media: Yvonne Ball Citadel-MAGNUS +61 8 6160 4910</p>
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### Otto Energy's Gulf of Mexico Interests

### Competent Persons Statement

The information in this report that relates to oil and gas resources in relation to VR 232 in the Gulf of Mexico was compiled by technical employees of Byron Energy Inc, the Operator of VR 232, and subsequently reviewed by Mr Paul Senyia 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 Senyia 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 Senyia. Mr Senyia 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 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.

### Prospective Resources Reporting Notes (VR 232 reported for the first time)

(i) The prospective resources information in this document is effective as at 19 June 2018 (Listing Rule (LR) 5.25.1). (ii) The 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 prospective resources information in this document is reported according to the Company's economic interest in each of the reserves and net of royalties (LR 5.25.5). (iv) The prospective resources information in this document has been estimated and prepared using the deterministic method (LR 5.25.6). (v) 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 (LR 5.25.7). (vi) 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 (LR 5.26.5.) (vii) Prospective resources are reported on a best estimate basis (LR 5.28.1). (viii) 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). (ix) In respect to the prospective resources referred to in this statement, Byron has acquired (VR 232 lease is approx. 4,525 acres) at the BOEM Lease Sale 250 held on March 21, 2018, all of which are located in the shallow waters of the Gulf of Mexico, offshore Louisiana, USA (LR 5.35.1). Otto has the right to take a 50% working interest in this lease. (x) The prospective resources have been estimated on the following basis (LR 5.35.2):- prospective resources have been identified at previously produced reserves, at the same or deeper stratigraphical levels; - a combination of volumetric assessment and field analogues have been used to estimate the Prospective resources; exploration drilling will be required to assess these resources. (xi) The chance of discovery is considered moderate as the prospective resources are near developed and undeveloped reserves and in a proven oil and gas producing province. There is a risk that exploration will not result in sufficient volumes of oil and/or gas for a commercial development (LR 5.35.3). (xii) Prospective resources are un-risked and have not been adjusted for an associated chance of discovery and a chance of development (LR 5.35.4).