

ASX ANNOUNCEMENT
27 August 2018

BIVOUAC PEAK EXPLORATION WELL COMMENCES DRILLING

- Drilling of the Weiss-Adler et. al. No. 1 well at Bivouac Peak East has commenced
- The exploration well is expected to take approximately 75 days to reach a depth of 18,000 ft TVD
- Bivouac Peak East is a 32 MMboe¹ (100% prospective resource) amplitude supported conventional gas/condensate prospect in the highly productive Louisiana transition zone
- Rapid tie-back to production and future follow up Bivouac Peak Deep prospect in a success case

Otto Energy Limited (ASX:OEL) ("Otto" or the "Company") is pleased to announce as of 1:30pm US Central Daylight Time on Saturday 25th of August 2018, the Parker 77B rig has commenced drilling operations on the first test well in the Bivouac Peak Prospect Area, the Weiss-Adler, et. al. No. 1 well ("Weiss-Adler #1"). As of 3pm US Central Daylight Time on Sunday 26th of August 2018, the well is drilling ahead at 1,300 feet True Vertical Depth.

The Weiss-Adler #1 exploration well is being drilled, using the Parker Drilling Company Rig #77-B Deep Drilling 3000 HP Posted Barge Rig (shown on the right), to a depth of 18,294 ft Measured Depth ("MD")/18,000 ft True Vertical Depth ("TVD") to test the Bivouac Peak East Prospect. The well is expected to take approximately 75 days to reach total depth.

The Bivouac Peak Prospect leases are in the Louisiana transition zone, the prolific onshore/marshland area along the southern Louisiana Gulf Coast.



BIVOUAC PEAK BEST ESTIMATE PROSPECTIVE RESOURCES¹

Prospect	GROSS			OTTO 40% WI			OTTO 29.8% NRI		
	Oil (MMbbl)	Gas (Bscf)	MMBOE (6:1)	Oil (MMbbl)	Gas (Bscf)	MMBOE (6:1)	Oil (MMbbl)	Gas (Bscf)	MMBOE (6:1)
East	11.3	125.6	32.2	4.5	50.2	12.9	3.4	37.4	9.6
Deep	4.7	52.1	13.4	1.9	20.9	5.3	1.4	15.5	4.0
Total	16.0	177.7	45.6	6.4	71.1	18.2	4.8	52.9	13.6

The Bivouac Peak project area comprises two prospects, the East Prospect and the Deep Prospect. As set out above, the total mapped gross 8/8ths prospective resources for the two combined prospects at Bivouac Peak are estimated at 16.0 million barrels of oil ("Mmbo") and 177.7 billion cubic feet of gas ("Bcf"), or 45.6 million barrels oil equivalent ("Mmboe")¹.

¹ Refer to Cautionary Statement in this release (page 6) relating to estimates of Prospective Resources. Refer Otto ASX releases of 28 September 2017 and 9 July 2018. East prospect prospective resources also reference in the Byron ASX release of 26 July 2016 (p16). Note Otto's working interest and NRI have reduced since the 28 September 2017 ASX release from 45% and 33.525% to 40% and 29.8% respectively.

The Weiss-Adler #1 well is designed to test the Bivouac Peak East Prospect, targeting the regionally productive Miocene Cib Op section, with a mapped gross 8/8ths prospective resource of 11.3 MMbbls and 125.6 Bcf, or a combined 32.2MMboe.

Although the East and the Deep prospects are independent, success at the East Prospect would provide positive seismic calibration, potentially reducing risk at the Deep Prospect as well.

Drilling costs for the well are estimated at US\$10.8 million. Otto will pay a disproportionate share of the first US\$10.0 million of drilling costs of the WA #1 well to earn into the project area, and its proportionate participating share of costs thereafter. Of such first US\$10 million drilling costs, Otto will pay 53.33% (US\$5.33 million). Any drilling costs above US\$10.0 million in respect of the WA #1 well will be shared in accordance with relevant participating interest rights (Otto 40%).

In case of success, completion and development costs to first production are currently estimated in the range of US\$9.0-11.0 million (gross). Should the well be productive, it is currently estimated that this well would commence production within 8-10 months following drilling of the initial test well.

Otto's Managing Director, Matthew Allen, commented: *"We are very pleased to have kicked off our extensive exploration drilling campaign with the highly prospective Bivouac Peak well."*

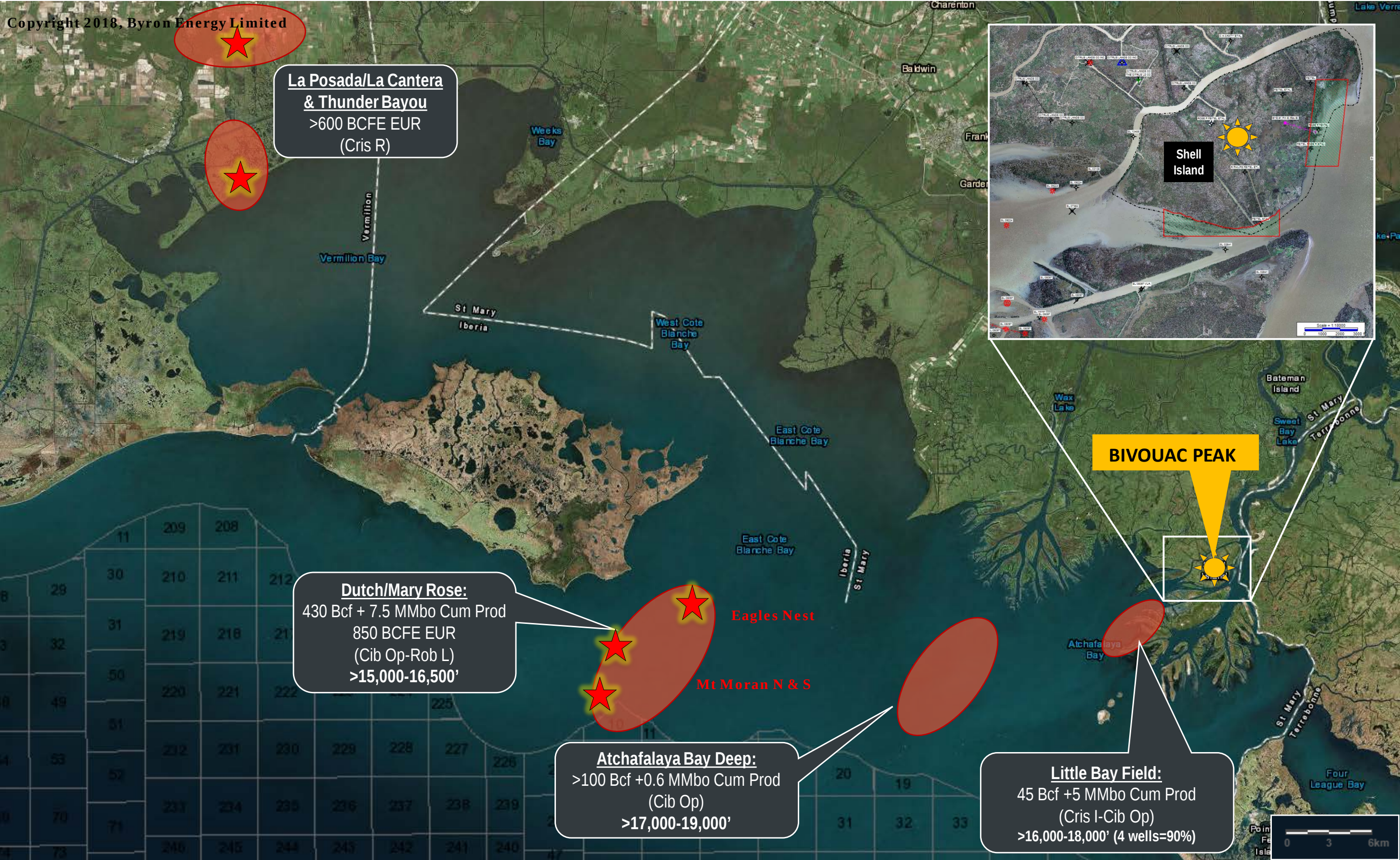
"Shareholders can also look forward to a very active 18 month period with 10 independent exploration wells scheduled to be drilled."

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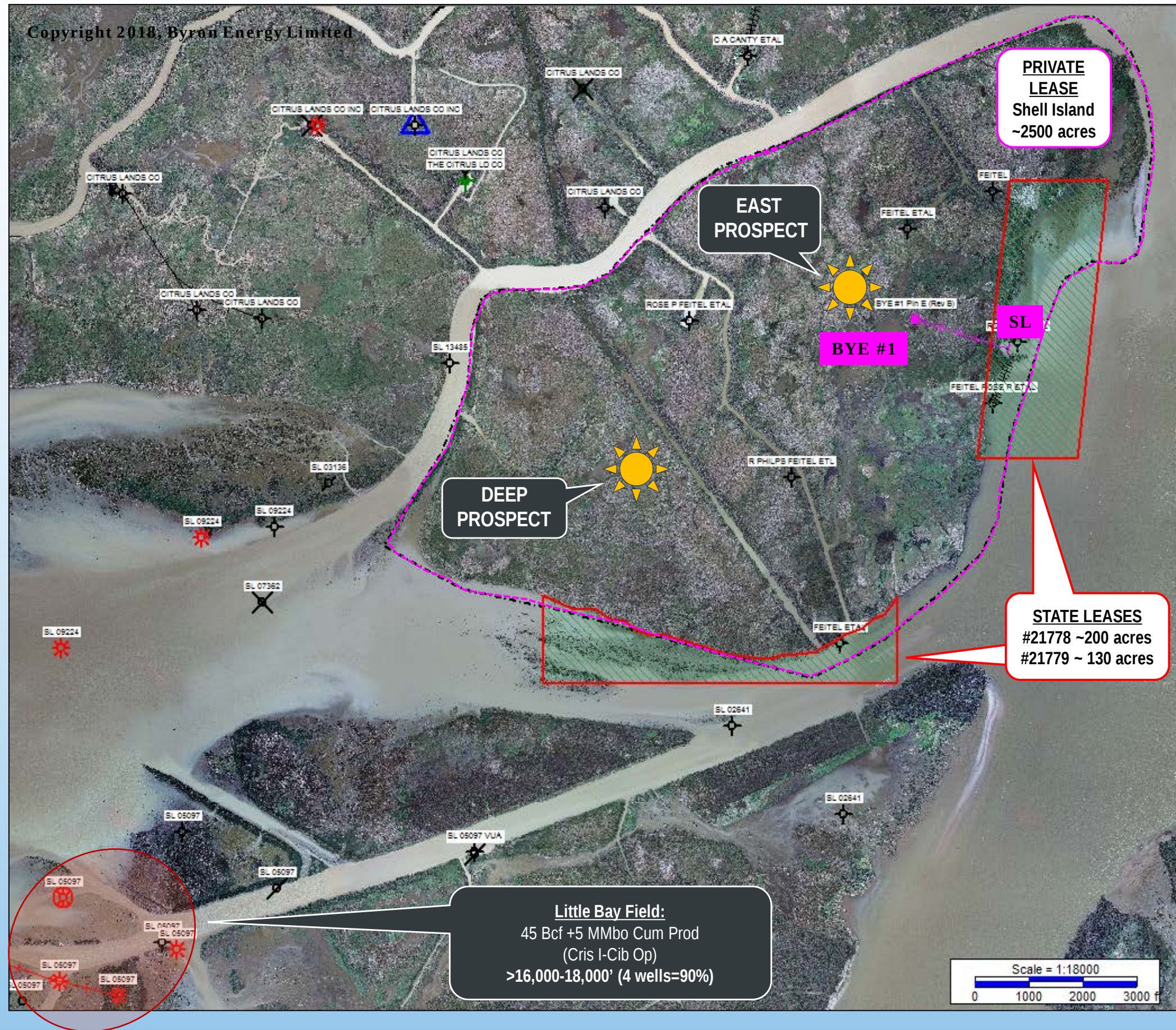
Bivouac Peak Key Details		
JV Partners	Byron Energy (ASX:BYE) (operator)	43%
	Otto Energy	40%
	Metgasco (ASX: MEL)	10%
	Private US Entity	7%
Objective	18,294 ft MD/18,000 ft TVD targeting upper and middle Miocene reservoirs in East Prospect. Although the prospects are independent, success at the East prospect would provide positive seismic calibration potentially reducing the risk at the Deep Prospect at ~20,000 ft (TVD). Targets are amplitude supported on 3D seismic.	
Prospective Resources	Gross (100%): Best Estimate 45.6 MMboe* WI (40%): Best Estimate 18.2 MMboe* NRI (29.8%): Best Estimate 13.6 MMboe*	
Lease terms	- Private lease (2,492 acres) 23.0% royalty - State lease (#21778, 200 acres) 21.5% royalty - State lease (#21779, 130 acres) 25.0% royalty	
Development Plan	Estimated completion and development costs to bring the well into production are US\$9-11 million with the well on production within 8-10 months from initial discovery	

* Refer to Cautionary Statement in this release (page 6) relating to estimates of Prospective Resources. Refer Otto ASX releases of 28 September 2017 and 9 July 2018. East prospect prospective resources also reference in the Byron ASX release of 26 July 2016 (p16). Note Otto's working interest and NRI have reduced since the 28 September 2017 ASX release from 45% and 33.525% to 40% and 29.8% respectively.

Bivouac Peak Regional Map - LA Transition Zone



Bivouac Peak Lease Map



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 – Information in respect of LR 5.25

- Prospective resource estimates in this report for the Bivouac Peak Prospect Area were first reported in the Company's ASX release dated 28 September 2017.
- The prospective resource information in this document:-
 - a) is effective as at 30 June, 2017 (Listing Rule (LR) 5.25.1)
 - b) has been estimated and is classified in accordance with SPE-PRMS (Society of Petroleum Engineers - Petroleum Resources Management System) (LR 5.25.2)
 - c) is reported according to the Company's economic interest in the prospective resource net of royalties (LR 5.25.5)
 - d) has been estimated and prepared using the deterministic method (LR 5.25.6)
 - e) 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)
 - f) is reported on a best estimate basis (LR 5.28.1).

Definitions

"\$m" means USD millions of dollars

"bbl" means barrel

"bbls" means barrels of oil

"bopd" means barrels of oil per day

"Mbbbl" means thousand barrels of oil

„MMbbl" means million barrels of oil

"Mscf" means 1000 standard cubic feet

"MMscf" means million standard cubic feet

"boe" or "BOE" means barrels of oil equivalent 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

"Mboe" means thousand barrels of oil equivalent ("BOE")

"MMboe" means million barrels of oil equivalent ("BOE")

"MMbtu" means million British thermal units

"NGLs" means natural gas liquids