

QUARTERLY REPORT

THREE MONTHS ENDED 31 MARCH 2018

QUARTERLY HIGHLIGHTS FOR OTTO ENERGY LIMITED (ASX:OEL)

PRODUCTION

- First production from SM 71 F1 and F2 wells commenced on 23 and 25 March 2018.
- F3 well commenced production on 6 April 2018.
- All three wells currently producing at a total of approximately 4,650 bopd and 3.2 MMcf/d of gas generating substantial revenue.

APPRAISAL/DEVELOPMENT:

- SM 71 F platform commissioning was completed and production commenced on 23 March 2018.
- SM 71 F3 development well result was better than expected intersecting TVT net oil pay of 175 feet in the D5 sand.
- The F3 well was tied in and production commenced on 6 April 2018.
- SM 71 – The F2 and F3 wells have also shown that the J1, B55 and C10 Sands are worthy of further evaluation as potential future oil productive intervals which could also be produced through the SM 71 F platform.

EXPLORATION – LOUISIANA, GULF OF MEXICO:

- Bivouac Peak – Permit work on the Bivouac Peak prospect continued during the March quarter with the goal of beginning drilling operations toward the end of the second half of calendar year 2018.
- Byron Energy named the apparent highest bidder on VR 232 where Otto has the right to acquire a 50% WI if ultimately awarded.

CORPORATE:

- Closing cash balance of US\$3.30 million (A\$4.30 million).
- First cash received from SM 71 sales on 23 April 2018.

THREE-MONTH OUTLOOK

- Otto expects to receive substantial cash flows from the sale of production from its 50% owned SM 71 oil field in the Gulf of Mexico.
- Louisiana, Gulf of Mexico: South Marsh Island 71 – stabilise production from the three producing wells and commence future field development planning.
- Louisiana, Gulf of Mexico: Bivouac Peak – Operator to progress planning and approvals and submit well proposal to partners for first well.
- Alaska: Operator expected to secure new funding ahead of commencing a drilling campaign in the northern winter of 2018/9.
- Continue to identify and execute new business opportunities in the Gulf of Mexico.

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PRODUCTION, APPRAISAL AND 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.

The March 2018 quarter was active and successful for the Joint Venture culminating in first oil production from the SM 71 project. The activities for the quarter are summarised below.

SM 71 F2 Appraisal Well

In early January 2018, casing was run over the B65 sand in the F2 well. The well was then temporarily suspended while the F3 well was drilled. The well was subsequently completed for production, tied in to the platform and commenced producing on 25 March 2018.

SM 71 F3 Development Well

Given the high quality and thickness of the D5 Sand encountered in the F2 well (F2 completed in the B65 sand) the joint venture decided to drill the F3 well as a second D5 development well.

The F3 well spudded on 9 January 2018 USA Central Standard time and reached a final total depth of 7,717 feet MD on 26 January 2018.

Logs indicated 211 measured depth feet of oil pay (175 feet TVT net oil pay) in the D5 Sand and exhibited excellent rock properties with porosities in the 32% range. With the base of the D5 Sand in the F3 well 150 feet below the base of D5 Sand in the F2 well, the D5 Sand oil column has been further extended downdip. This means the total oil column proven by the three D5 wells is an outstanding 1,160 feet.

Because of the northerly well bore trajectory of the F3 well, the very updip portions of the three other oil sands were penetrated. The J1, B55 and B65 Sands each logged approximately 5 feet TVT net oil pay in the F3 well, consistent with pre-drill expectations. The data points of these three sands will serve to help delineate the size of each reservoir for future reserve determinations.

In addition to the J1, B55 and B65 zones, the F3 well also intersected 12 feet TVT net oil pay in the C10 which is productive in other parts of the dome but, to date, not productive at SM 71. Pre-drill mapping did indicate that the F3 would be at the very updip edge of the C10 in this well bore and this result sets up a further opportunity to be exploited in future well bores or in the F3 wellbore.

SM 71 F1, F2 and F3 Well Completions

Following drilling of the F3 well, the Ensco 68 drilling rig was repositioned over the SM 71 F1 well and operations to complete the wells for production commenced.

On 22 February 2018 Otto reported that the F1 well was completed for production in the D5 sand.

On 5 March 2018 Otto reported that the F2 well was completed for production in the B65 sand.

On 3 April 2018 the F3 well was completed for production in the D5 sand after delays due to downhole issues.

First Oil Production from SM 71

Production operations at the SM 71 F platform began on 23 March when the SM 71 F1 well was brought on line. The F1 well is completed in the

D5 Sand and production pressures and flow rates have remained steady since it began producing.

The SM 71 F2 well, completed in the B65 Sand, was opened to the system on 25 March. After initial high flow rates, the F2 well experienced a drop in flowing tubing pressure and the choke was reduced to assess the issue. After the choke was increased the F2 well started showing modest signs of pressure support along with increased oil and gas rates, however, additional time and production data is needed before a complete assessment can be made.

On 6 April 2018 USCDT production from the SM 71 F3 well was initiated. The F3 well is completed in the D5 Sand reservoir.

The ENSCO 68 drilling rig was released on Sunday, 8 April 2018.

SM 71 Production for March 2018 quarter

For the quarter ended 31 March 2018 Otto's share of production is shown in the table below.

SM 71 Production since 31 March 2018

For the most recent information on production rates refer to the Company's ASX release dated 26 April 2018.

The Company's production was shut in for four days from 19 April 2018 while Crimson Gulf, LLC, the operator of the oil pipeline that carries SM 71 oil to market, undertook maintenance on sections of the pipeline.

During the shut-in period several improvements were made to the oil and gas production system on the platform. Most of these improvements were focused on resizing valves to optimize production levels and minimize downtime on the platform.



All three wells were returned to production on 22 April 2018 at a combined rate of 4,650 bopd and 3,200 mcfgpd which is over 90% of the platform's throughput capacity. These rates are considered ideal for the current operating conditions and uptime is expected to be 96%. This rate of production also optimises drawdown on each of the wells and should maximise the ultimate long term recovery from the reservoirs.

Based on these rates, Otto's daily sales would be approximately 2,325 bopd and 1,600 mcfgpd on a 50% working interest basis (1,890 bopd and 1,300 mcfgpd on a 40.63% NRI basis (after Federal royalties) of 18.75%).

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For the quarter ended 31 March 2018

Production Volumes	Prior Quarter	Current Quarter	% change	Comment
Gross (100%)				
SM 71 – Oil (bbls)	-	18,342	n/a	Production commenced 23 March 2018 from F1. F2 commenced 25 March 2018.
SM 71 – Oil (bopd)	-	2,038	n/a	
SM 71 – Gas (Mscf)	-	11,542	n/a	
Otto WI Share (50%)				
SM 71 – Oil (bbls)	-	9,171	n/a	
SM 71 – Oil (bopd)	-	1,019	n/a	
SM 71 – Gas (Mscf)	-	5,771	n/a	
Otto NRI Share (40.625%)				
SM 71 – Oil (bbls)	-	7,451	n/a	
SM 71 – Oil (bopd)	-	828	n/a	
SM 71 – Gas (Mscf)	-	4,689	n/a	

Sales Revenue – Otto share USD	Prior Quarter	Current Quarter	% change	Comment
				Production commenced 23 March 2018 from F1. F2 commenced 25 March 2018.
SM 71 – Oil - \$'million	-	0.542	n/a	
SM 71 – Oil - \$ per bbl	-	59.14	n/a	
SM 71 – Gas - \$'000	-	15	n/a	
SM 71 – Gas - \$ per MMbtu		\$2.41		

Notes

- Otto sells its high quality Louisiana Light Sweet crude (“LLS”) produced at SM 71, at approximately a \$2.50 per barrel premium based on current LLS versus West Texas Intermediate (“WTI”) price differentials. Deductions are then applied for transportation, oil shrinkage, basic sediment & water (BS&W), and other applicable adjustments.
- Gas revenues include NGLs. 1 Mscf = 1.087 MMbtu currently for SM 71 production. The thermal content of SM 71 gas may vary over time.

EXPLORATION

LOUISIANA/GULF OF MEXICO – BIVOUAC PEAK

Location:	Inshore Gulf of Mexico
Area:	11.04 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 2,800 acres of highly prospective acreage in the transitional zone inshore southern Louisiana. The 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 Mbbbl of oil and 79.950 Bcf of gas.

Significant production exists in the adjacent Miocene sequence at the Little Bay field (greater than 45 Bcf gas and 5 MMbbl condensate) and the Atchafalaya Bay field (greater than 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%).

On 11 January, 2018 Byron Energy was deemed the high bidder on two peripheral, non-core tracts adjoining the Bivouac Peak lease at the Louisiana State lease sale and subsequently awarded State Lease #21778 (~200 Acres), with a state royalty rate of 21.5% and an overriding royalty of 2.5%, and State Lease #21779 (~130 Acres), with a state royalty rate of 25% and an overriding royalty of 2.5%, for a three-year primary term. Otto has the right to participate for its proportionate share of the State Lease acquisitions as provided by the participation agreements over the Bivouac Peak Prospect Area.

During the March 2018 quarter Byron negotiated the extension of the term of the original Bivouac Peak lease with the private landowners through 1 September 2019, to facilitate likely permit approval and anticipated drilling activity.

Permitting and well planning activities on Bivouac Peak are progressing as planned with anticipated approvals currently expected in the second half of 2018. The process is ongoing and has included site specific survey work, pre-application geologic review, and the submission of the joint application coastal use permit to the Louisiana Coastal Management and the US Army Corps of Engineers for review.

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		OTTO 45% WI		OTTO 45% WI
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 (Continued)

LOUISIANA/GULF OF MEXICO –VERMILLION BLOCK 232

Location:	Offshore Gulf of Mexico
Area:	18.31 km ²
Otto's Interest:	50.00% - 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").

Subsequently Byron have rebid lease, Vermillion Area Block 232 ("VR 232"), at the Gulf of Mexico, Outer Continental Shelf ("OCS") Lease Sale 250 ("Lease Sale 250") held in New Orleans, Louisiana on 21 March 2018.

Byron was the apparent high bidder on the block. An apparent high bid is subject to OCS bid adequacy review and under the BOEM rules may be rejected if deemed inadequate. The BOEM review process can take up to 90 days.

If VR 232 is ultimately awarded to Byron, Otto will have a right to acquire a 50% WI / 43.750% 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.

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.

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EXPLORATION (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; and
- 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 the 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; and

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.

48 blocks in Alaska in which Otto has an interest are due to expire on 30 April 2018. The State of Alaska, Department of Natural Resources, Division of Oil and Gas have recently granted extension of these blocks until 30 April 2021 on the basis of specified work commitments and lease terms. Together with the block operator Great Bear Petroleum, Otto is evaluating the renewal terms.

CORPORATE

CASH FLOWS

Otto's free cash reserve at the end of the quarter was US\$3.30 million (Dec 2017: US\$15.02 million). During the June quarter, Otto expects to receive substantial cash flows from the sale of production from its 50% owned SM 71 oil field in the Gulf of Mexico, not included in the above cash outflow estimates.

BOARD APPOINTMENT

On 24 April Mr Paul Senycia, Otto Vice President, Exploration and New Ventures, was appointed to the Board as an Executive Director.

Paul joined Otto in 2010 as Exploration Manager, and since 2015 has led the Company's technical operations. Paul has been instrumental in the implementation of Otto's US strategy and was closely involved in the successful farm-in to SM 71 in the Gulf of Mexico, which recently moved into production.

A seasoned oil and gas professional, trained as an exploration geoscientist, Paul has over 35 years of international oil and gas experience in both commercial and technical aspects of the business. This was gained with large and small companies worldwide including Shell, Woodside and Beach Petroleum. Over the last twenty years Paul has accumulated substantial Gulf of Mexico expertise both on the shelf and in the deep water. This has included deal capture, asset management and project divestment activities. Outside the Gulf of Mexico, Paul has worked in Europe, Asia, Africa and Australasia both on and offshore.

HOUSTON OFFICE

To support Otto's growing presence in the US, the Company will move its operational office to Houston, Texas. Otto Managing Director, Mr Matthew Allen, will relocate to Houston in mid-2018. Otto also intends to appoint a senior, locally-based oil and gas executive to join the Board as a Non-Executive Director and establish an experienced technical team based in Houston. The Company's headquarters will remain in Australia.

The appointment of Mr Senycia and the setting up of the operational office in Houston are consistent with Otto's strategy to grow its presence in the US through the sourcing of high-impact exploration assets with near-term drilling opportunities.

CORPORATE (Continued)**SHAREHOLDERS****Otto's issued capital as at 31 March 2018:**

Class	Number
Fully paid ordinary shares ¹	1,530,928,490
Convertible Notes ²	8,200,000
Options	-
Performance Rights ¹	18,827,000

Otto's Top 20 Holders as at 31 March 2018:

Rank	Name	Units	% of Units
1	Molton Holdings Limited	305,859,697	19.98%
2	Perennial Value Management	84,393,436	5.51%
3	J P Morgan Nominees Australia Limited	76,809,926	5.02%
4	BNP Paribas Nominees Pty Ltd	45,224,135	2.95%
5	CVC Limited	38,181,818	2.49%
6	Citicorp Nominees Pty Limited	30,337,070	1.98%
7	Merrill Lynch (Australia) Nominees Pty Limited	24,683,151	1.61%
8	BNP Paribas Noms Pty Ltd	24,656,111	1.61%
9	John Jetter (Consolidated Relevant Interest)	19,446,318	1.27%
10	National Nominees Limited	15,855,560	1.04%
11	DBS Vickers Securities (Singapore) Pte Ltd	14,020,833	0.92%
12	Sphinx Holdings Ltd	10,152,361	0.66%
13	Mr Austin Sydney Evan Miller	10,000,000	0.65%
14	HSBC Custody Nominees (Australia) Limited	9,559,490	0.62%
15	National Nominees Limited	8,977,623	0.59%
16	Mr Andrew McCrea Coulter & Mrs Sally Anne Travis	8,158,572	0.53%
17	Debuscey Pty Ltd	7,823,326	0.51%
18	Forsyth Barr Custodians Ltd	7,546,222	0.49%
19	Tintern (Vic) Pty Ltd	7,518,232	0.49%
20	Mr Brian Lesleigh Williams & Mrs Valerie Ruby Dawn Williams	7,450,000	0.49%
Total Top 20 Shareholders		756,653,881	49.42%
Total Remaining Shareholders		774,274,609	50.58%
Total Shares on Issue		1,530,928,490	100.0%

1. 1,630,000 shares were issued on 2 February 2018 following the vesting of performance rights. Refer to the Appendix B released on 2 February 2018 for further details.

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.

OTTO AT A GLANCE

- ASX-listed company with significant oil production in the Gulf of Mexico
- Drilling success in April 2016 and subsequent development saw Otto return to production in March 2018
- Growth to be delivered through carefully selected high-impact exploration in the Gulf of Mexico
- Focus on proven, prolific hydrocarbon basins with well-developed route to market
- Team have demonstrated delivery of shareholder value through oil and gas projects

DIRECTORS

John Jetter - Non-Executive Chairman
 Matthew Allen - Managing Director & CEO
 Ian Boserio - Non-Executive
 Ian Macliver - Non-Executive
 Paul Senyca - Executive Director & Vice President,
 Exploration and New Ventures

Chief Financial Officer & Company Secretary:
 David Rich

ASX Code: OEL

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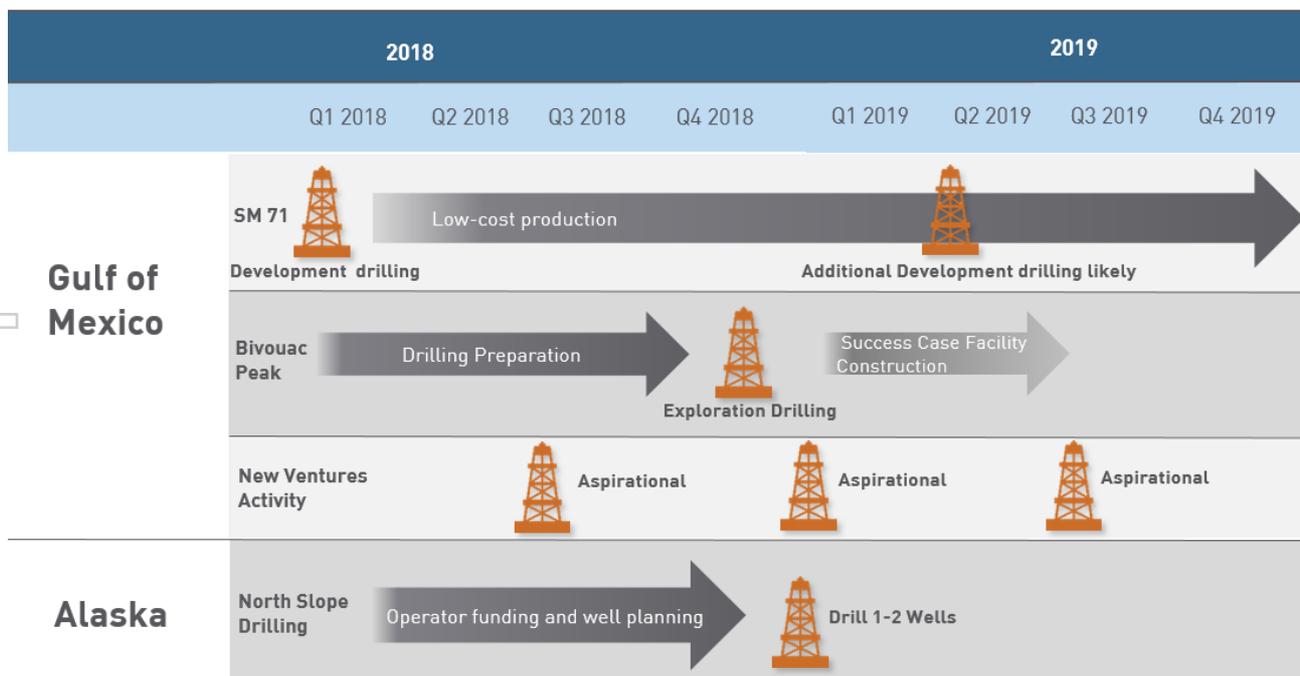
MEDIA

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Forward Activity Timeline



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Definitions

- "\$m" means USD millions of dollars
- "bbl" means barrel
- "bbls" means barrels
- "bopd" means barrels of oil per day
- "Mtbl" 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

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 Senycia 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 Senycia 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 Senycia. Mr Senycia 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.

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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 March 2018

Consolidated statement of cash flows	Current quarter US\$'000	Year to date (9 months) US\$'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(432)	(3,843)
(b) development	(10,459)	(18,873)
(c) production	-	-
(d) staff costs	(465)	(1,328)
(e) administration and corporate costs	(402)	(1,570)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	47	141
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(2)	(2)
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	13	35
- Refundable Security Bond	-	(150)
1.9 Net cash from / (used in) operating activities	(11,700)	(25,590)

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Consolidated statement of cash flows		Current quarter US\$'000	Year to date (9 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
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	(22)	(667)
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	(22)	16,699

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (9 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	15,024	12,199
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(11,700)	(25,590)
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)	(22)	16,699
4.5	Effect of movement in exchange rates on cash held	1	(5)
4.6	Cash and cash equivalents at end of period	3,303	3,303

5.	Reconciliation of cash and cash equivalents	Current quarter US\$'000	Previous quarter US\$'000
	at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1	Bank balances	3,303	15,024
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)	3,303	15,024

6.	Payments to directors of the entity and their associates	Current quarter US\$'000
6.1	Aggregate amount of payments to these parties included in item 1.2	155
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	

Directors fees including superannuation where applicable

	<u>US\$'000</u>
Executive Director	97
Non-Executive Directors	<u>58</u>
Total	<u>155</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	(907)
9.2	Development	(1,586)
9.3	Production	(250)
9.4	Staff costs	(375)
9.5	Administration and corporate costs	(357)
9.6	Other (provide details if material)	-
9.7	Total estimated cash outflows	(3,475)

Note that Otto expects to receive substantial proceeds from sales of production during the coming quarter from its 50% owned SM 71 oil field. Production commenced on 23 March 2018 and first proceeds have been received in April 2018.

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	SC 55 Philippines	Participating Interest	68.18%	Nil
10.2	Interests in mining tenements and petroleum tenements acquired or increased				

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: 27 April 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.