

ASX ANNOUNCEMENT
25 October 2017

NEW GULF OF MEXICO LEASE FOR OTTO – ST 235

- **Otto Energy has the right to acquire a 25% working interest in the ST 235 lease in the Gulf of Mexico recently awarded to Houston Energy.**
- **ST 235 is adjoining with and immediately south of ST 224 where Otto is currently participating in the drilling of the highly prospective ST224 #1 exploration well at 25% working interest.**
- **A reduced Federal Royalty Rate of 12.5% is applicable to the lease under the revised federal terms.**

Otto Energy Limited (ASX:OEL) ('Otto' or the 'Company') is pleased to announce that Houston Energy has been awarded the South Timbalier 235 ('ST 235') lease under Gulf of Mexico Central Lease Sale 249.

Houston Energy bid a total US\$210,999 in relation to the ST 235 lease and was the apparent high bidder in August 2017 as part of Central Lease sale 249. Under BOEM bid adequacy procedures, an apparent high bid is subject to a bid adequacy review which can take up to 90 days. This review process has now been completed and Houston Energy have been awarded the lease.

The lease is adjoining with and immediately south of South Timbalier 224 ('ST 224') lease where Otto Energy is currently participating in the drilling of the highly prospective ST224 #1 exploration well.

Under an agreement with Otto Energy and others involved in ST 224, Otto Energy has the right to acquire a 25% working interest in the lease from Houston Energy and intends to exercise this option.

Maximum water depth within ST 235 is 60 meters (197 feet).

In July 2017 the U.S. Federal Government announced that a 12.5% federal royalty rate would apply for subsequently awarded leases that sit in less than 200 meters of water (656 feet), compared to the previous prevailing rate of 18.75%. ST 235 qualifies for the 12.5% rate, further enhancing economics.

Otto's Managing Director, Matthew Allen, commented: *"Otto Energy is pleased to advise that partner Houston Energy has been awarded the ST 235 lease. This is a further expansion of our footprint in the Gulf of Mexico consistent with our growth strategy and is timely given we are currently drilling the highly prospective ST 224 #1 exploration well."*

In the event of success at ST 224, ST235 will provide a very attractive follow up with enhanced economics due to its proximity.

We are also pleased to be continuing our relationship with our existing high-quality partners in the Gulf of Mexico"

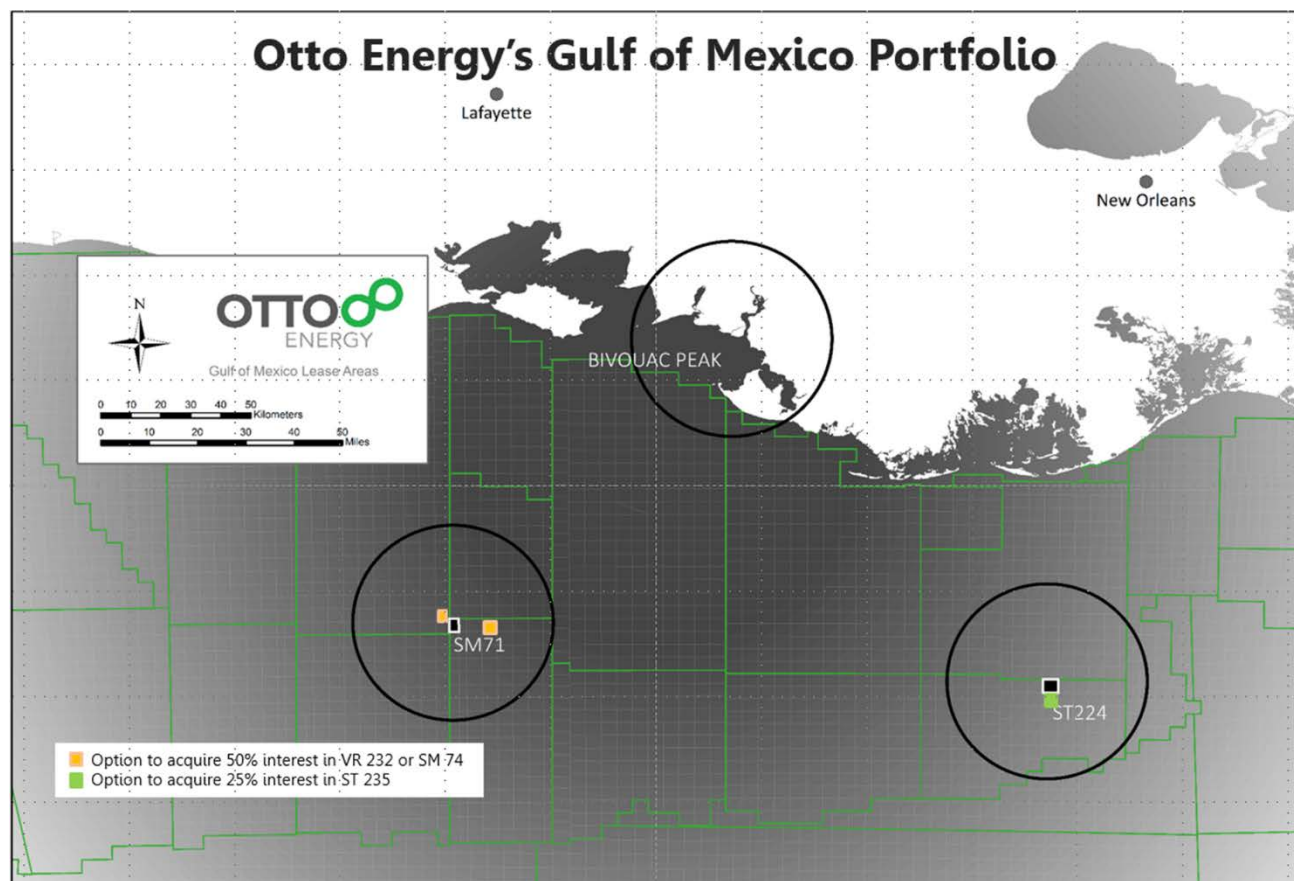
Contact:
Matthew Allen
Managing Director & CEO
+61 8 6467 8800
info@ottoenergy.com

Media:
John Gardner or Tony Dawe
Citadel-MAGNUS
+61 8 6160 4901 or +61 8 6160 4906
jgardner@citadelmagnus.com
tdawe@citadelmagnus.com

SCHEDULE 1 – BACKGROUND ON ST 235 LEASE

LOUISIANA/GULF OF MEXICO – SOUTH TIMBALIER 235

Location:	Offshore Gulf of Mexico
Gross Area:	20.23 km ² (5000 acres)
Maximum Water Depth:	60 meters (197 feet)
Federal Royalty Rate:	12.5%

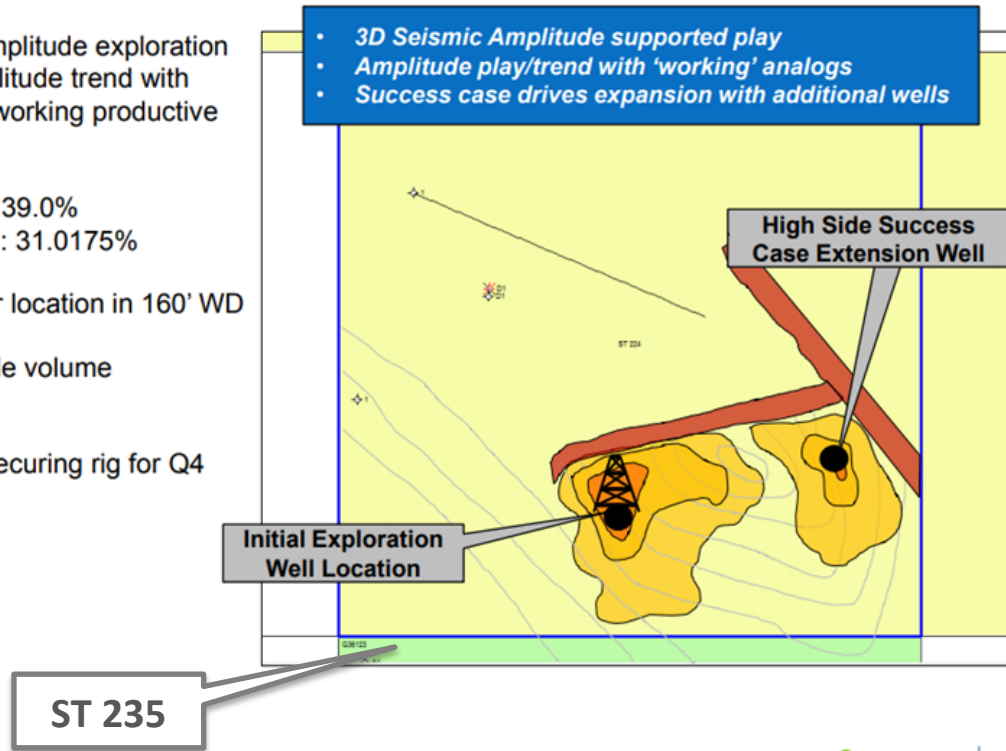


Otto's Interests in the Gulf of Mexico

South Timbalier 224 – Exploration Well

- Low risk amplitude exploration well in amplitude trend with numerous working productive analogs
- W&T WI: 39.0%
NRI: 31.0175%
- Open water location in 160' WD
- Good upside volume opportunity
- Currently securing rig for Q4 Spud

- *3D Seismic Amplitude supported play*
- *Amplitude play/trend with 'working' analogs*
- *Success case drives expansion with additional wells*



South Timbalier 224 Exploration Prospect and ST 235 lease to the immediate south.
Source: W&T Offshore IPAA Oil & Gas Symposia Presentation, Oct 3rd 2017