

ASX ANNOUNCEMENT
25 January 2019

LIGHTNING EXPLORATION WELL UPDATE

- **9 5/8" casing successfully set and cemented at 11,580 ft TVD**
- **Currently drilling ahead to primary target with well planned to be drilled to 15,500 ft TVD**
- **The well is targeting a gross mean prospective resource of 4.57 MMboe (100%)¹**

Otto Energy Limited (ASX:OEL) ("Otto" or the "Company") is pleased to provide the following update on the status of the Green #1 well in Matagorda County Texas. Green #1 is the initial exploration well testing the onshore Lightning prospect.

The 9 5/8" casing was successfully set and cemented at 11,580 feet (TVD) and as at 6am US Central Time on 24 January 2019 (US Central Standard Time) the well is drilling ahead toward the primary target at 12,023 feet True Vertical Depth. The well is planned to be drilled to 15,500 ft MD/15,500 ft TVD.

The Green #1 well is targeting the Frio-Tex Miss sands that are Oligocene in age. This is a prolific section, with significant production and multiple recent discoveries in the region from these sands. The prospect is a slope fan/channel levee system with strong AVO (amplitude variation with offset) support. The prospect has been assessed as having a probability of success of 45%.

LIGHTNING PROSPECTIVE RESOURCES¹

| Prospect | GROSS | | | OTTO 37.5% WI | | | OTTO 28.50% NRI | | |
|----------|-------------|------------|-------------|---------------|------------|-------------|-----------------|------------|-------------|
| | Oil (MMbbl) | Gas (Bscf) | MMBOE (6:1) | Oil (MMbbl) | Gas (Bscf) | MMBOE (6:1) | Oil (MMbbl) | Gas (Bscf) | MMBOE (6:1) |
| P90 | 0.03 | 5.32 | 0.92 | 0.01 | 2.00 | 0.34 | 0.01 | 1.52 | 0.26 |
| P50 | 0.19 | 17.97 | 3.19 | 0.07 | 6.74 | 1.19 | 0.05 | 5.12 | 0.91 |
| Mean | 0.36 | 25.22 | 4.57 | 0.14 | 9.46 | 1.71 | 0.10 | 7.19 | 1.30 |
| P10 | 0.93 | 54.80 | 10.06 | 0.35 | 20.55 | 3.77 | 0.27 | 15.62 | 2.87 |

Note 1: Refer to the ASX release "Otto Farms in to Eight Well Gulf Coast Package with Hilcorp" dated 31 July 2018 for further details on the prospective resources. 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.

Otto's next announcement in relation to this well, will be when a material event has occurred.

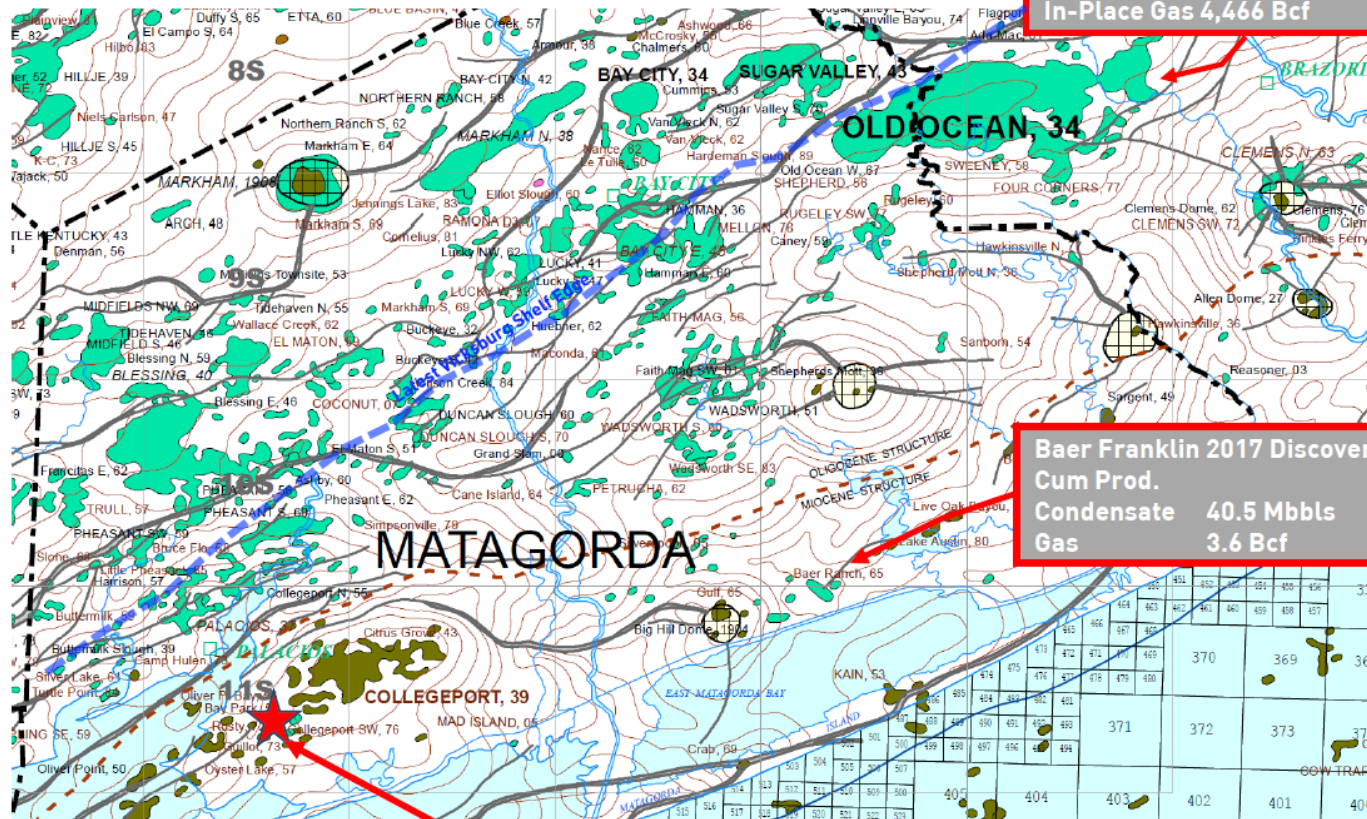
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| Lightning Key Details | | | | | | | |
|------------------------------|---|--------------------|-------------------------|-------------|-------------------------|--------------|-------------------------|
| JV Partners | <table border="0"> <tr> <td>Hilcorp (operator)</td> <td>62.5%</td> </tr> <tr> <td>Otto Energy</td> <td>37.5%</td> </tr> </table> | Hilcorp (operator) | 62.5% | Otto Energy | 37.5% | | |
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| Otto Energy | 37.5% | | | | | | |
| Objective | 15,500 ft MD/15,500 ft TVD targeting Lower Oligocene Frio/Tex Miss sands | | | | | | |
| Geological Setting | <p>Significant historical production exists from the Frio/Tex Miss shelf edge, however the slope channel/fan setting has only been lightly explored. Overlaying production from the shallower Miocene levels dates back to the early 1930's. Recent modern 3D seismic has yielded discoveries that prove working analogues in the slope channel/fan setting at Baer Franklin in the deeper Oligocene setting.</p> <p>The Lightning prospect demonstrates strong AVO (amplitude versus offset) on 3D seismic with good conformance of the amplitude response to structure.</p> | | | | | | |
| Prospective Resources | <table border="0"> <tr> <td>Gross (100%):</td> <td>Best Estimate 4.6 MMboe</td> </tr> <tr> <td>WI (37.5%):</td> <td>Best Estimate 1.7 MMboe</td> </tr> <tr> <td>NRI (28.5%):</td> <td>Best Estimate 1.3 MMboe</td> </tr> </table> | Gross (100%): | Best Estimate 4.6 MMboe | WI (37.5%): | Best Estimate 1.7 MMboe | NRI (28.5%): | Best Estimate 1.3 MMboe |
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| WI (37.5%): | Best Estimate 1.7 MMboe | | | | | | |
| NRI (28.5%): | Best Estimate 1.3 MMboe | | | | | | |
| Lease terms | Royalty rate 24% | | | | | | |
| Development Plan | Completed well will be tied back to existing gas export lines near the well with first sales expected to be delivered approximately 30 days after any successful pay in the well is logged. Estimated completion and development costs US\$3.0 million (Otto share US\$1.50 Million) | | | | | | |

Lightning Prospect

Following Oligocene production deeper

Old Ocean field
 Discovered in 1934, Frio Tex Miss shelf edge production
 In-Place Liquids 474.6 MMbbls
 In-Place Gas 4,466 Bcf



Baer Franklin 2017 Discovery.²
 Cum Prod.
 Condensate 40.5 Mbbls
 Gas 3.6 Bcf

Lightning Well Location

1. Data source AAPG
 2. Data source Texas Railroad Commission

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Competent Persons Statement

The information in this report that relates to oil and gas resources in relation to the Lightning prospect in the Gulf of Mexico was compiled by technical employees of Hilcorp Energy Company, the Operator of the Gulf Coast Package, and subsequently reviewed by Mr Will Armstrong BS in Geology, MS in Geology (Applied Geophysics), who has consented to the inclusion of such information in this report in the form and context in which it appears.

Mr Armstrong 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 Armstrong. Mr Armstrong 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 – Information in respect of LR 5.25

- The prospective resources information is effective as at 30 June 2018 (Listing Rule (LR) 5.25.1).
- The prospective resources information has been estimated and is classified in accordance with SPE PRMS (Society of Petroleum Engineers Petroleum Resources Management System) (LR 5.25.2).
- The prospective resources information is reported according to the Company’s economic interest in the resources and net of royalties (LR 5.25.5).
- The prospective resources information in this document has been estimated and prepared using the probabilistic method (LR 5.25.6). 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.
- 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).
- is reported on a best estimate basis (LR 5.28.1).

Definitions

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|---|---|
| “\$m” means USD millions of dollars | “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 |
| “bbl” means barrel | “Mboe” means thousand barrels of oil equivalent (“BOE”) |
| “bbls” means barrels | “MMboe” means million barrels of oil equivalent (“BOE”) |
| “bopd” means barrels of oil per day | “MMbtu” means million British thermal units |
| “Mbbbl” means thousand barrels | “NGLs” means natural gas liquids |
| “Mscf” means 1000 standard cubic feet | |
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