ASX ANNOUNCEMENT
11 March 2019

GULF COAST OPERATIONAL UPDATE

- **Lightning discovery well has been perforated and flow test undertaken**
- **Flow test results indicate that well will flow strongly with a condensate yield significantly exceeding Otto's pre-drill estimates**
- **Operator has commenced build-out of facilities to bring Lightning into production**
- **Don Julio 2 reaches total depth and is plugged and abandoned as a dry hole**
- **Next well in Gulf Coast program will test the Mustang prospect**

Otto Energy Limited (ASX:OEL) ("Otto" or the "Company") is pleased to provide the following updates on operational activities with the Gulf Coast program being operated by Hilcorp Energy.

Lighting Well Test and Commissioning

The Green #1 well testing the Lightning prospect in Matagorda County, Texas was drilled to 15,218 ft MD/15,216 ft TVD and suspended on 4 February 2019 after logging multiple pay intervals.

Petrophysical evaluation of the logging data indicated the presence of 180 feet of net hydrocarbon pay in multiple sands. This petrophysical evaluation was undertaken using historical parameters for production performance in the play trend. Dependent upon porosity and water saturation cut-offs applied, there is potential for an additional 150 feet of net pay in the well. The pre-drill prospective resource estimates, as first announced on 4 December 2018, had assumed a P50 net hydrocarbon bearing reservoir thickness of 31 feet with a P10 net hydrocarbon bearing reservoir thickness of 75 feet.

The operator, Hilcorp, has run production tubing and other downhole equipment required to complete the well for production.

The well was perforated over a 28-foot zone in the lowest intersected pay zone being the Tex Miss 3 interval on 7 March 2019 (US CST) and underwent initial flow-back tests to determine flow rate calculations and liquids yields.

Over a 15 hour test using an 8/64" choke setting, 1.1 MMscf of gas and 50 bbls of 46 degree API condensate was recovered from the well. No formation water was recovered. The condensate gas ratio from this zone indicates an impressive 40-45 bbl per MMscf yield, significantly in excess of the 10 bbl per MMscf yield from other wells in the area.

The above flow test, which was conducted with a very tight choke, provides a reliable indication that production from this zone will be in line with the nearby producing fields which have been very successful in generating significant value. Choke settings and forecast flow rates at Lightning will be determined incorporating all information received from the flow test. Nearby Freo Tex Mis wells have produced between 8 and 13 MMscf/d – refer Appendix 2.

Field samples indicate that the gas meets the sales specifications for the Houston Ship Channel gas market with only trace elements of hydrogen sulfide and minor volumes of carbon dioxide. Samples have been gathered from the product stream to undertake laboratory analysis to verify the gas composition for sales specification.

Operations to build out site facilities, lay a flowline and undertake a hot tap into a nearby sales gas pipeline have now been commenced by the operator. The operator has advised that there is currently high demand for hot tap crews to undertake the sales pipeline connection and that this will likely delay first production into the second quarter of 2019. Otto will provide further information on the first production date once a hot tap date has been secured with the pipeline operator.

The Green #1 well has intersected multiple pay sands over a 180-foot interval with only the lowest 28 foot Tex Mis 3 zone currently being brought into production. The Lightning field will undergo a period of analysis once production commences to optimize a full field development. This will most likely involve the recompletion of this well in the future into other producible zones higher in the well and the drilling of further wells in the field.

Otto has commenced a process to develop maiden reserve volumes on the Lightning discovery in the coming months and will provide further information on the total expected recovery and value once this work is completed.

Don Julio 2

The Middleton Trust #1 well, testing the Don Julio 2 exploration prospect, has been drilled to a final total depth of 11,900 ft MD/ 11,799 ft TVD. The well was testing an Oligocene age, upper Vicksburg prospect that was generated on modern 3D seismic. The well targeted a typical AVO anomaly using seismic data but encountered an unexpected volcanic ash bed immediately above the target interval, creating an AVO "false positive" anomaly. There are no other known volcanic ash beds within this interval in the area.

Quad-combo wireline and sidewall cores were acquired over the prospective interval once total depth was reached. Evaluation of the wireline logs indicate the well has not intersected producible reservoir and no indications of hydrocarbons were evident whilst drilling.

The joint venture will now proceed to plug and abandon the well. Drilling operations have been very effectively managed by the operator and total cost to Otto is expected to be significantly less than the pre-drill estimate of US$3.53m.

Gulf Coast Exploration Drilling – Forward Program

The next well in the Gulf Coast program is scheduled to test the Mustang prospect. Mustang is a lower Vicksburg prospect, which is also Oligocene in age.

The operator has advised that it is currently in the process of contracting a drilling rig suitable for the testing of this prospect and will advise once the well is ready to commence drilling.

The Gulf Coast program is testing a number of geologically independent prospects, which are mainly amplitude supported on modern 3D seismic.

Otto's Managing Director, Matthew Allen, commented: *"Otto is very excited about the progress being made within the Gulf Coast program. Having now tested three out of the eight prospects within the program, Otto is confident that we have already delivered value in excess of the planned costs of the entire program. Given these outcomes, we are very excited to test the remaining five prospects. Our next well will test the Mustang prospect, which on pre-drill estimates represents the second largest prospect in the program. Otto has additional rights to the nearby follow-up Corsair and Hellcat prospects, which will be further de-risked should we have success at Mustang.*

The well test on Lighting has confirmed the discovery as significantly exceeding our pre-drill estimates and is on track to become Otto's second production asset in the area. With a liquid yield that also significantly exceeds pre-drill expectations, substantial additional value will be created from this already material discovery. There is also the potential in the future for additional wells to be added to the field once production is established and the field is fully evaluated.

With Lightning coming into production, when combined with our existing production at South Marsh Island 71, Otto is making excellent progress towards delivering our strategic objective of 5,000 boepd of production by the end of 2020.

Growing Otto's business in the Gulf of Mexico by investing into high quality, high impact exploration drilling presents Otto's shareholders with a number of opportunities for significant increases in value in the coming months."

Refer to Appendix 1 and Otto's ASX releases of 4 December 2018 and 4 February 2019 for further details on the Lightning prospect. 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 overall Hilcorp Gulf Coast eight well program.

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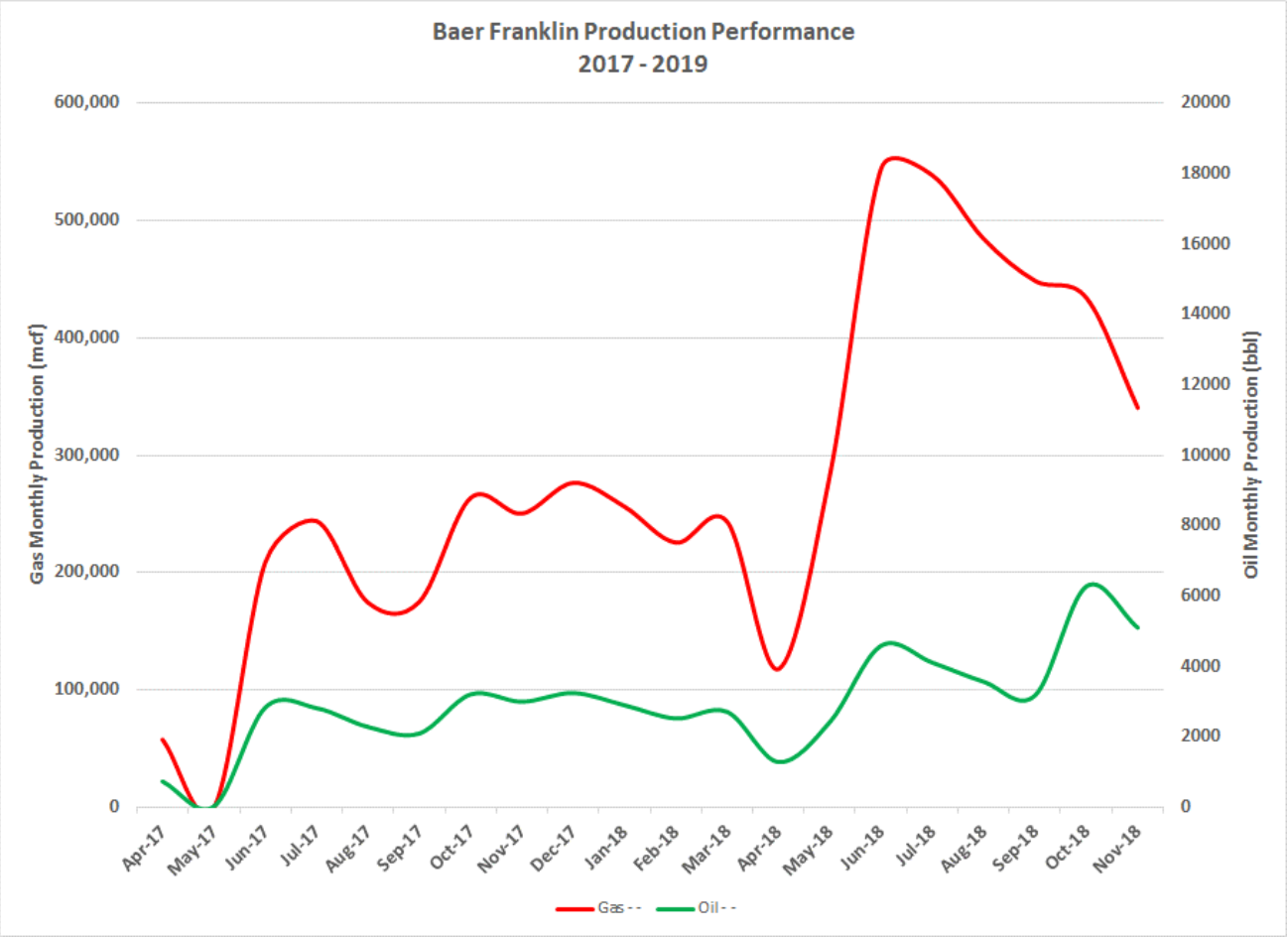
Appendix 1 – Lightning Information

Lightning Key Details		
JV Partners	Hilcorp (operator) Otto Energy	62.5% 37.5%
Well Depth	15,218 ft MD/15,216 ft TVD	
Geological Setting	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.	
Wireline Log Results	Gross pay thickness is not reported. Petrophysical evaluation of the logging data indicates the presence of a total net hydrocarbon filled sand interval of 180 feet. This petrophysical evaluation has been undertaken using historical parameters for production performance in the play trend. Dependent upon porosity and water saturation cut-offs applied, there is potential for an additional 150 feet of net pay in the well.	
Lease terms	The well is located on private land in Matagorda County, Texas, USA. Royalty rate 24% Otto net revenue interest is 28.5%.	
Development Plan	Completed well will be tied back to an existing gas export line near the well via a 4" pipeline Estimated completion and development costs US$3.0 million (Otto share US$1.50 Million)	

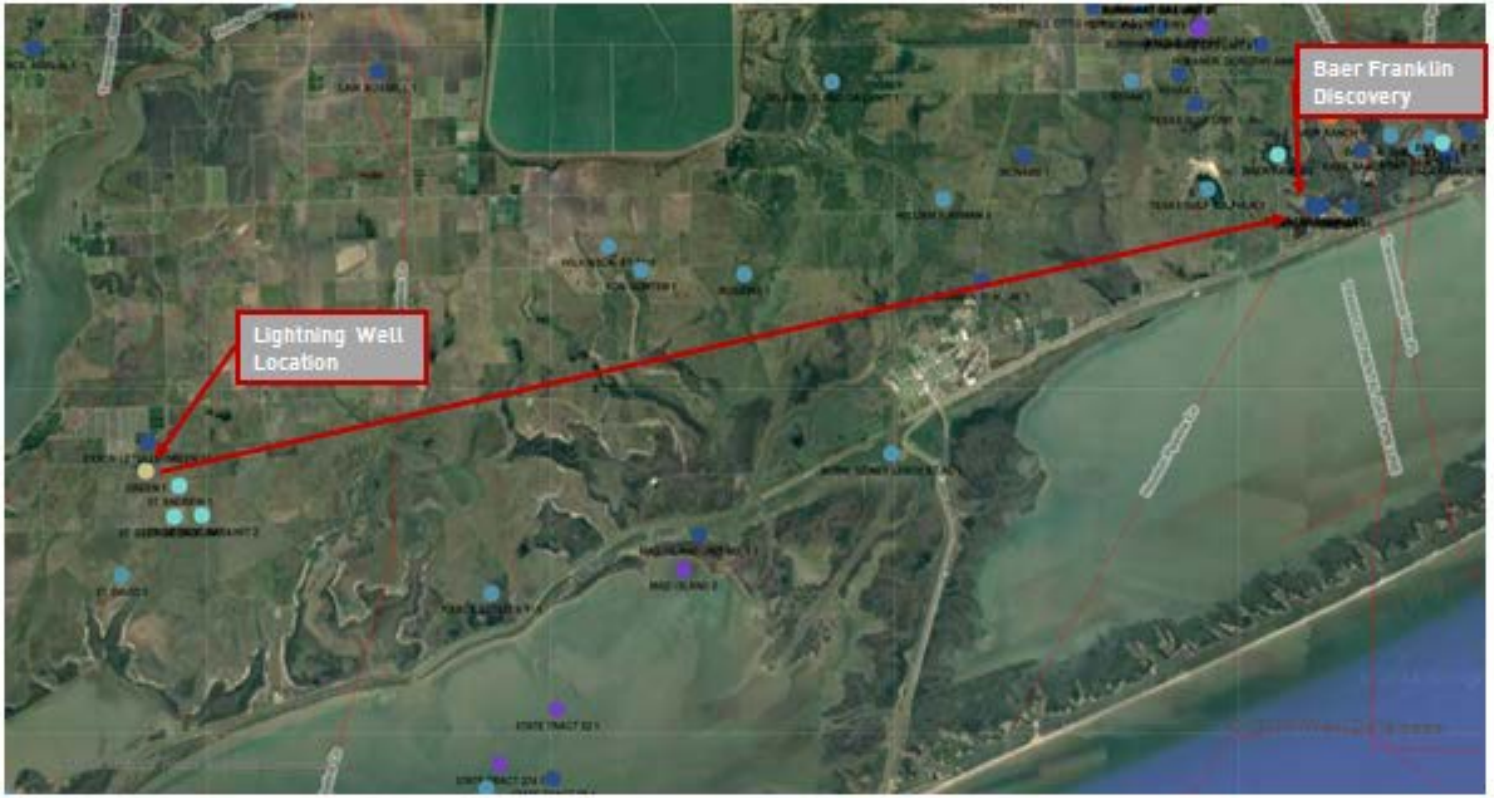
Appendix 2 – Offset Freo Tex Mis Production – Baer-Franklin Field

The field was initially drilled by Samson Exploration LLC in 2013 with the Baer-Franklin #1 well. Subsequently, Hilcorp has drilled the Baer-Franklin #2ST and Baer-Franklin #3 wells and permitted the Baer-Franklin #4 well for drilling. To date, 13 Bcf of gas and 109,000 bbls of condensate have been recovered from the field. The well is producing from the same stratigraphic level as production from the Lightning discovery.



Baer Franklin Frio-Tex Miss Production

Over 13 Bcf of gas and 109 Mbbls of condensate recovered from the same stratigraphic interval since 2014



1. Data source: Texas Railroad Commission

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Appendix 3 – Otto's interests in the Gulf of Mexico