

ASX ANNOUNCEMENT

29 March 2019

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OTTO FARMS INTO GREEN CANYON 21 “BULLEIT” OIL APPRAISAL DRILLING, REDEEMS CONVERTIBLE NOTES AND ANNOUNCES EQUITY RAISE

- Farm in to Talos Energy operated Green Canyon 21 lease in the Gulf of Mexico to participate in appraisal drilling of the “Bulleit” oil discovery
- Drilling of Bulleit to commence in Q2 2019 with development to deliver first production within 12-18 months
- Further upside in a secondary exploration target to be tested with the same well
- Tie back planned to Talos operated Green Canyon 18A production platform
- With success, Talos expects production of 8-15,000 boepd from mid-2020, largely oil weighted
- Opportunity complements Otto’s Gulf of Mexico growth strategy
- Redemption of 8.1 million of the 8.2 million Convertible Notes to occur on 30 April 2019 with the remaining 100,000 converted to ordinary shares on 30 April 2019
- A\$11 million Placement to sophisticated and institutional investors and ~A\$20 million via a 1 for 5 fully-underwritten Entitlement Offer to raise a total of ~A\$31 million

Otto Energy (“Otto”) (ASX: OEL) is pleased to announce that it has entered into a joint venture with Talos Energy (NYSE: TALO) which will see it earn a 16.67% working interest in the Green Canyon 21 (GC-21) lease in the Gulf Mexico through paying 22.22% of the cost of the drilling of the “Bulleit” appraisal well in GC-21. The well will be drilled by Talos Energy, a highly experienced Gulf of Mexico operator based in Houston. Talos has the Noble Don Taylor drillship contracted to undertake the drilling of the Bulleit prospect with drilling expected to start in the middle of Q2 2019.

The Company is undertaking a capital raising for approximately A\$31 million via an A\$11 million Placement to institutional and sophisticated investors and a fully-underwritten, 1 for 5 accelerated non-renounceable Entitlement Offer to raise ~A\$20 million. The funds raised will be used in conjunction with cash flows from Otto’s 50% owned SM 71 oil field and future cash flows from the Lightning development to fund Otto’s US\$9.0 million share of the GC-21 drilling program, redeem US\$8.1 million of the convertibles notes currently on issue and for working capital including contingent development wells.

Otto’s Managing Director, Matthew Allen, commented: *“Otto is today taking another significant step in accelerating its business growth in the Gulf of Mexico. Participation in drilling of the Green Canyon 21 “Bulleit” oil discovery, provides Otto access to one of the best drilling opportunities that the Otto team has screened with a high quality and proven operator in Talos Energy.*

Otto has successfully identified and captured farm-in’s to some of the best opportunities available within its core focus area since establishing the Gulf of Mexico only three years ago. Discoveries at the South Marsh Island 71 and Lightning projects have established Otto’s production and cashflow generating base with significant, high-impact drilling planned for the remainder of 2019 that is set to continue the rapid delivery on our stated strategy.”

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Details of the Green Canyon 21 Farm-in Agreement

Otto Energy has made a binding offer to farm-in to the Green Canyon 21 lease and will earn a 16.67% working interest by funding 22.22% of the costs to drill the initial “Bulleit” appraisal well. Definitive agreements to give effect to the farm-in, including commercial arrangements for oil and gas to be produced through Talos’s Green Canyon 18A platform, are currently being finalized with Talos. All subsequent costs of completion and development, including any further wells, shall be at Otto’s working interest of 16.67%.

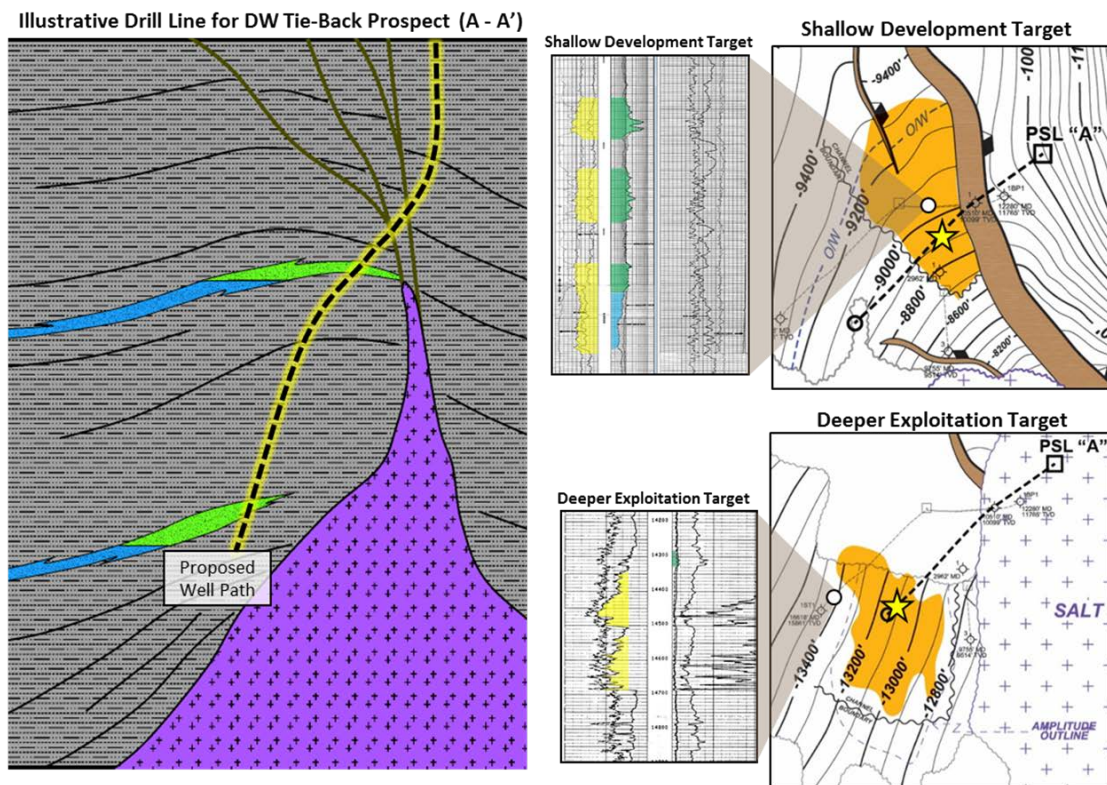
Appraisal Well

Bulleit is an amplitude-supported Pliocene prospect with similar seismic attributes to the analogous sand section in Talos’s Green Canyon 18 field, which has produced approximately 39 MMBoe to date. The Bulleit prospect sits in approximately 1,200 feet of water and is 10 miles (16 kilometers) from the GC18A platform.

The DTR-10 oil sand, which is the primary target of the Bulleit well, was first discovered in 1984. Three wells, all with logged oil pay within the DTR-10 Sand Package, were drilled between 1984 and 1987. A sidetrack of the first well also found oil pay in both DTR-10 and deeper MP Sands. Drill stem tests from first and third sand packages in the DTR-10 sand were undertaken in 1985. Production rates expected from the MP sand when tied into a production platform are expected to deliver between 8-15,000 boepd. These high production rate oil wells are common for deepwater prospects whereas Bulleit has the advantage of being in significantly shallower water.

The discoveries were not developed at the time of discovery as there was no infrastructure available.

Talos has the GC 18A platform with spare capacity within tie back distance of GC-21. A subsea development is planned to tie the Bulleit well into the GC18A platform.



Green Canyon 21 “Bulleit” Prospect Outline

Additional Upside

The MP sand is a second, deeper target to be tested in the initial well. The MP sand was also intersected in the 1980's in a downdip position with 18' of oil pay observed in cores acquired at the time. The Bulleit well will test this sand in an updip position.

About Talos Energy

Talos Energy (NYSE: TALO) is a technically driven independent exploration and production company with operations in the United States Gulf of Mexico and in the shallow waters off the coast of Mexico. Talos's focus in the United States Gulf of Mexico is the exploration, acquisition, exploitation and development of shallow and deepwater assets near existing infrastructure. The shallow waters off the coast of Mexico provide Talos with high impact exploration opportunities in an emerging basin. The Company's website is located at www.talosenergy.com.

Bulleit Prospective Resources

Prospective resources (P50) are 14.5 MMboe (gross) and 1.9 MMboe (Net Revenue Interest). Talos has advised that gross prospective resources are expected to be between 10 to 30 MMboe on an unrisks basis.

Cautionary Statement: The estimated quantities of petroleum that may be potentially recovered by the application of a future development project relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation are required to determine the existence of a significant quantity of potentially movable hydrocarbons.



Talos operated Green Canyon 18A Production Facility

Bulleit, Green Canyon 21 Key Details		
JV Partners	Talos Energy (operator)	50.00%
	Enven	33.33%
	Otto Energy	16.67%
Objective	Development target (DTR-10 Sands) approximately 8,700 ft TVD Exploitation target (MP Sands) approximately 12,800 ft TVD Well to be drilled to 15,500 ft MD/13,823 ft TVD	
Geological Setting	Bulleit is an amplitude-supported Pliocene prospect with similar seismic attributes to the analogous sand section in Talos's Green Canyon 18 field, which has produced approximately 39 MMboe to date.	
Initial Well	Expected spud Q2 2019 Dry hole cost: US\$33 mill. (100%) US\$ 7.4 mill. (Otto share) Note that in addition to the dry hole cost, Otto will also spend US\$1.6 million on other costs required in order to participate in the well and any future development and production activities such as insurance and regulatory requirements.	
Probability of success:	63%	
Lease terms	Royalty rate 18.75%. Otto NRI 13.34%.	
Development Plan	Talos will complete well as a subsea tieback with a smart completion; tying back to the Talos operated GC 18A Platform. Adequate capacity for a second well if warranted for acceleration. Date of first production is estimated by Talos to be 12-18 months from spud. Talos expects initial production rates from the MP sands to be between 8,000 and 15,000 boepd. Development capex US\$80-100 mill. (100%) US\$13.3-17.0 mill. (Otto share)	

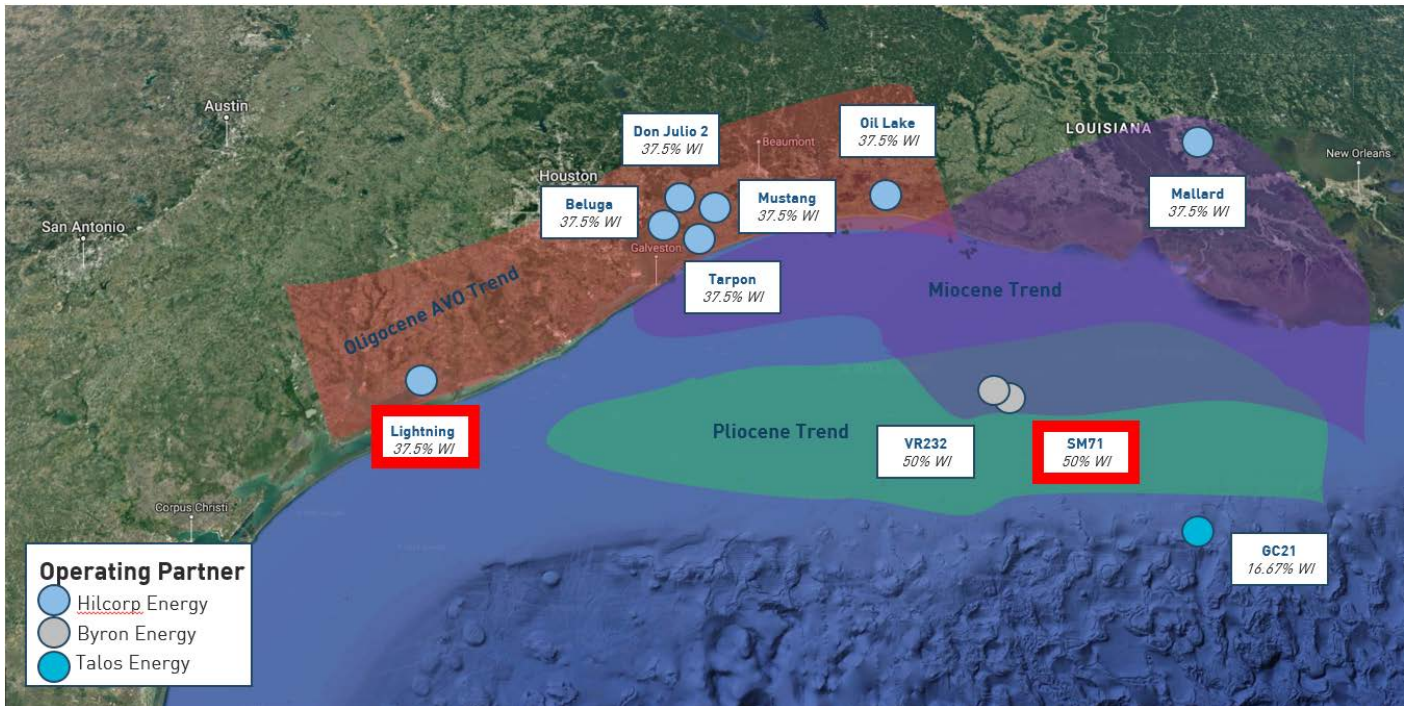
Impact on Strategy

Otto has a clearly stated strategy to grow its net production in the Gulf of Mexico to 5,000 boepd by the end of 2020.

With two discoveries already, one of which is currently on production and a further five wells to be drilled within the focus area in the US Gulf of Mexico shelf and Gulf Coast in 2019, Otto's experienced technical team have been working to find attractive, oil weighted, low risk drilling opportunities to take accelerate steps toward the 5,000 boepd goal. The deeper water Gulf of Mexico provides those opportunities to take major growth steps within the similar geological and regulatory setting.

The Bulleit opportunity is another significant step toward the 5,000 boepd and puts Otto into partnership with another large and well-respected operator in the region. In addition it offers further potential through a second target and potentially a further development well.

Otto Energy Location and Formation – Gulf of Mexico



Otto Energy Projects – Gulf of Mexico

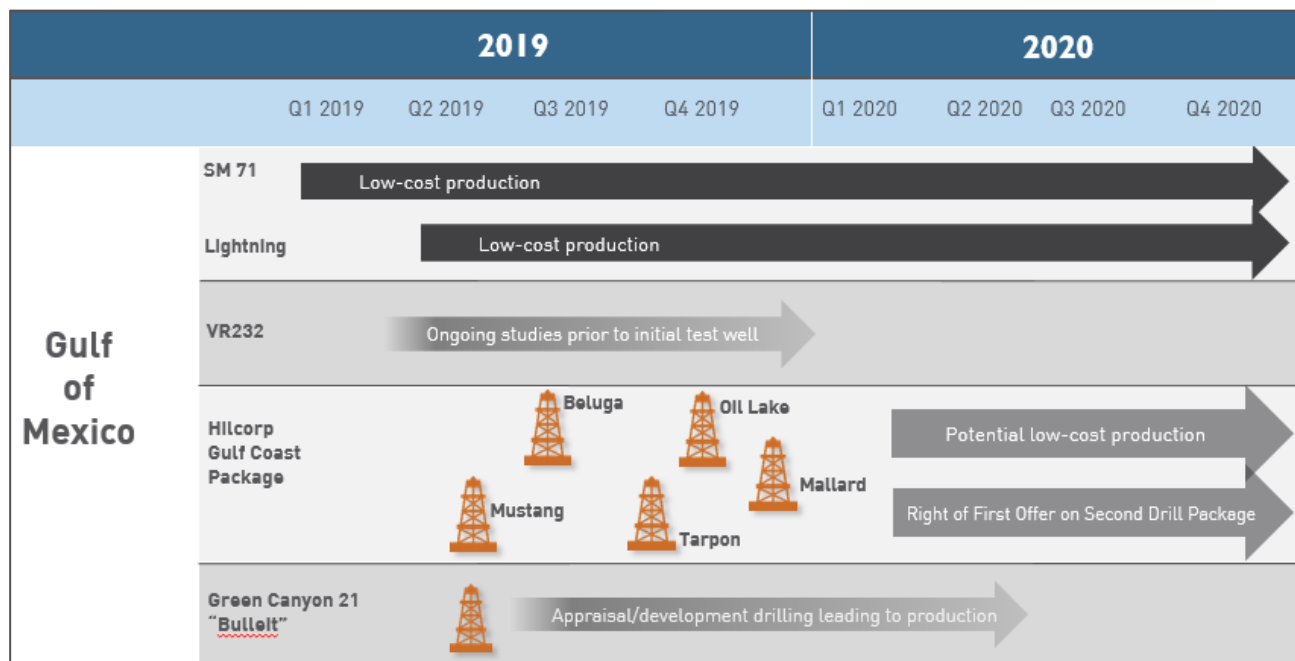
Metric	SM 71	Lightning	Gulf Coast	Green Canyon 21	VR 232
Type	JV	JV	JV	JV	JV
Ownership Structure	50% WI	37.5% WI	37.5% WI (50% of Cost ¹)	16.67% WI (22.22% of Cost ¹)	50% WI (66.7% of Cost ¹)
NRI	40.625%	28.50%	28.50%	13.336%	43.75%
Status	Production	Development	Exploration	Appraisal	Exploration
Onshore/Offshore	Offshore	Onshore	Onshore	Offshore	Offshore
Operator	Byron Energy (50% WI)	Hilcorp (62.5% WI)	Hilcorp (62.5% WI)	Talos Energy (50% WI)	Byron Energy (50% WI)
Comments	3 Wells Generating ~US\$2 Mil. Op Net Cashflow per month	Discovery Feb 2019 significantly greater than the pre-well P50; production in Q2 2019.	One discovery so far. Five wells remaining.	Appraisal well in Q2 2019 with a secondary exploration target providing upside.	Block adjacent to SM 71

1. The promote only applies to the initial test well, land (if applicable) and associated costs. All subsequent other costs after discovery are at the working interest share.

2. Alaska is not included here as little activity and expenditure is expected over the coming period.

Pipeline of Opportunities

The schedule below sets out Otto's forward drilling program including the Lightning development, Bulleit appraisal well and Hilcorp exploration wells.



Redemption of Convertible Notes

Under the terms of the convertible notes, Otto issued a redemption notice to the Noteholders on 26 March 2019. The Noteholders elected to convert only 100,000 of the notes (on 30 April 2019) with the balance of 8.1 million notes to be redeemed on 30 April 2019. After the redemption and conversion, Otto will have no debt.

Funding of the Program

A capital raising of ~A\$31 million as set out below will complement cash on hand and future cash flows from Otto's 50% owned SM 71 oil field and 37.5% owned Lightning gas/condensate discovery to fund Otto's exploration and appraisal drilling program over the next year as well as redeem the US\$8.1 million of convertible notes.

Placement

Otto has agreed to place approximately 207.5 million shares at A\$0.053 per share to raise approximately A\$11 million. The placement is to sophisticated and institutional investors which will enhance Otto's already strong share register.

Entitlement Offer

The Company also intends to offer existing shareholders the opportunity to subscribe for additional shares at A\$0.053 per share pursuant to a pro-rata accelerated non-renounceable Entitlement Offer to raise a further approximately A\$20 million ("Entitlement Offer").

The Entitlement Offer has been fully underwritten by Morgans Corporate Limited (Morgans).

The Entitlement Offer is non-renounceable and entitlements will not be tradeable or otherwise transferrable.

Under the Entitlement Offer, shareholders will be able to subscribe for additional shares at A\$0.053 per share on the basis of one new share for every five shares held at the record date of Tuesday 2 April 2019.

The offer price of A\$0.053 represents a:

- 7.0% discount to the last close of A\$0.057 on Tuesday 26 March 2019; and
- 5.4% discount to TERP (A\$0.056).

Further information

Morgans Corporate Limited is acting as lead manager and underwriter to the entitlement offer with Allens acting as legal advisor and Adelaide Equity as Corporate Advisor. Euroz Securities Limited and Argonaut have been appointed Co-Managers to the offer.

Offer Timetable

An indicative Entitlement Offer timetable is set out below.

Timetable for Non-Renounceable Entitlement Offer	
Announcement of the Equity Raising	29 March 2019
Institutional Entitlement Offer and Bookbuild opens	29 March 2019
Institutional Entitlement Offer and Bookbuild closes	1 April 2019
Results of Institutional offer announced and trading halt lifted	2 April 2019
Shares trade ex-entitlement	2 April 2019
Record date for determining Eligible Shareholders	2 April 2019
Retail Entitlement Offer opens and Booklets despatched	5 April 2019
Settlement of New Shares issued under the Placement and Institutional Offer	8 April 2019
Allotment and normal trading of New Shares issued under the Placement and Institutional Entitlement Offer	9 April 2019
Retail Entitlement Offer closes	23 April 2019
Allotment of New Shares issued under the Retail Entitlement Offer	1 May 2019
Despatch of holding statements and normal trading of New Shares	2 May 2019

Dates and times in this release are indicative only and subject to change. The Company reserves the right, subject to the Corporations Act, ASX Listing Rules and other applicable laws, to vary the dates of the Entitlement Offer without prior notice, including extending the Entitlement Offer or accepting late applications, either generally or in particular cases, or to withdraw the Entitlement Offer without prior notice. The commencement of quotation of New Shares is subject to confirmation from ASX.

Further information about the Entitlement Offer, including its strategic and financial benefits, is in Otto's market release and Investor Presentation, lodged with the ASX today.

This announcement has been prepared for publication in Australia and may not be released to US wire services or distributed in the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or any other jurisdiction. Any securities described in this announcement have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration of the US Securities Act and applicable US state securities laws.

Competent Persons Statement

The information in this report that relates to oil and gas resources in relation to Green Canyon 21 (GC-21) in the Gulf of Mexico was compiled technical employees of Talos Energy and 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

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.

Prospective Resources Reporting Notes for the Bulleit prospect in Green Canyon 21 reported for the first time

- The prospective resources information is effective as at 22 February 2019 (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 each of 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 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).
- Prospective resources are reported on a P50 basis. A range of high and low cases are also advised (LR 5.28.1).
- For prospective resources, the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons (LR 5.28.2).
- The Green Canyon 21 lease is offshore in US federal waters in the Gulf of Mexico. Otto will earn a 16.67% working interest in the lease by paying 22.22% of the costs of drilling and setting casing or plugging and abandoning the initial well. Otto will be assigned the working interest following the setting of production casing or the plugging and abandoning of the initial well. (LR 5.35.1).
- Talos has a large volume of data over the deepwater Gulf of Mexico and owns and operates several fields including the Green Canyon 18 field and production platform. The Bulleit prospect in Green Canyon 21 lease is a Pliocene prospect with similar seismic attributes to the analogous sand section in Talos's Green Canyon 18 field, which has produced approximately 39 MMBoe to date. Regional high-quality 3D seismic data, information from

the Green Canyon 18 field and the wells drilled in the 1980s which discovered the DTR-10 and MP sands have been used by Talos in generating the P50 and high and low case estimates of prospective resources. Otto has separately reviewed this utilising a different seismic dataset and incorporating all the above data from Talos.

Seismic and other data as used above is standard in the oil and gas industry as a tool for identifying prospects and these data currently provide the industry's most accurate method of estimating prospective resource volumes and attendant risks. The parameters used in the acquisition and processing of the seismic surveys is commensurate with the industry standard for the Gulf of Mexico.

Appraisal drilling will be required to assess these resources and this is expected to occur in Q2 2019. (LR 5.35.2):

- The chance of discovery for the prospect is set out on page 5. There is a risk that exploration/appraisal will not result in sufficient volumes of oil and/or gas for a commercial development (LR 5.35.3).
- Prospective resources on page 4 are un-risked and have not been adjusted for an associated chance of discovery and a chance of development. (LR 5.35.4).

Definitions

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| - "A\$" means Australian Dollars | - "Mdbl" means thousand barrels |
| - "US\$" means United States dollars | - "Mcf" means 1000 cubic feet |
| - "bbl" means barrel | - "Mboe" or "MBoe" means thousand BOE |
| - "bbls" means barrels | - "MMdbl" means million barrels |
| - "BOE" or boe means barrel 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 | - "MMcf" means million cubic feet |
| - "boepd" means barrels of oil equivalent per day | - "MMboe" means million BOE |
| - "bopd" means barrels of oil per day | - "Peak Production Rate" means the maximum steady state rate at which a well is expected to produce. |
| | - "VWAP" is the volume weighted average price. |
| | - "TERP" the theoretical ex - rights prices at which Otto Energy shares should trade immediately after the ex - date of the Entitlement Offer. |