ASX ANNOUNCEMENT
1 May 2019

MUSTANG EXPLORATION WELL COMMENCES DRILLING

- **Mustang exploration well, Thunder Gulch #1, commences drilling**
- **Second of four Chambers County wells testing Vicksburg prospects operated by Hilcorp Energy**
- **Prospect is amplitude supported on modern 3D seismic**
- **Drilling is expected to take 74 days to reach total depth on a dry hole basis**

Otto Energy Limited (ASX:OEL) ("Otto" or the "Company") is pleased to advise that the initial exploration well, Thunder Gulch #1 in Chambers County Texas, testing the Mustang prospect has commenced drilling from an onshore rig. As at 6am US Central Time on April 30, 2019 the well is drilling ahead at 578 feet True Vertical Depth.

The well will be drilled to approximately 19,000 ft MD/18,000 ft TVD and is expected to take 74 days to reach total depth. Otto will earn a 37.50% working interest by paying 50.0% of the costs of drilling and either setting casing or plugging and abandoning the well, after which point Otto will pay 37.50% of all future costs. The well is expected to cost the Company US$6.77 million (50.0% paying interest).

The exploration well on the Mustang prospect in Chambers County, Texas is targeting the Vicksburg sand that is Oligocene in age. Recent discoveries in the Vicksburg trend confirm that this play is relatively underexplored, with most regional production occurring from the Upper Oligocene Frio formation. The use of seismic amplitude is helping to unlock new discoveries. The prospect is a stratigraphically trapped channel/levee system with AVO (amplitude variation with offset) support. The prospect has been assessed as having a probabilistic probability of success of 56%.

Participation in drilling of the Mustang prospect will also earn Otto ground floor interests in the follow up Corsair and Hellcat prospects.

The forward program with Hilcorp involves two other prospects in Chambers County in various levels of the Vicksburg play. Beluga and Tarpon/Damsel are all amplitude supported channel/levee deposits. Whilst all being amplitude supported plays, they are geologically independent.

MUSTANG PROSPECTIVE RESOURCES

	GROSS			OTTO 37.50% WI			OTTO 28.50 % NRI		
Prospect	Oil (MMbbl)	Gas (Bscf)	MMBOE (6:1)	Oil (MMbbl)	Gas (Bscf)	MMBOE (6:1)	Oil (MMbbl)	Gas (Bscf)	MMBOE (6:1)
P90	0.41	14.80	2.88	0.15	5.55	1.08	0.12	4.22	0.82
P50	1.42	31.50	6.67	0.53	11.81	2.50	0.40	8.98	1.90
Mean	2.26	37.80	8.56	0.85	14.18	3.21	0.64	10.77	2.44
P10	5.23	69.20	16.76	1.96	25.95	6.29	1.49	19.72	4.78

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.

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

Otto's Managing Director, Matthew Allen, commented: *"The recent success at the Lightning prospect has provided support that the Gulf Coast exploration drilling program has the opportunity to create material new value.*

The second quarter of 2019 is going to be a busy period for Otto with drilling of the Mustang and Bulleit prospects. We look forward to sharing the results of the both wells in the coming weeks."

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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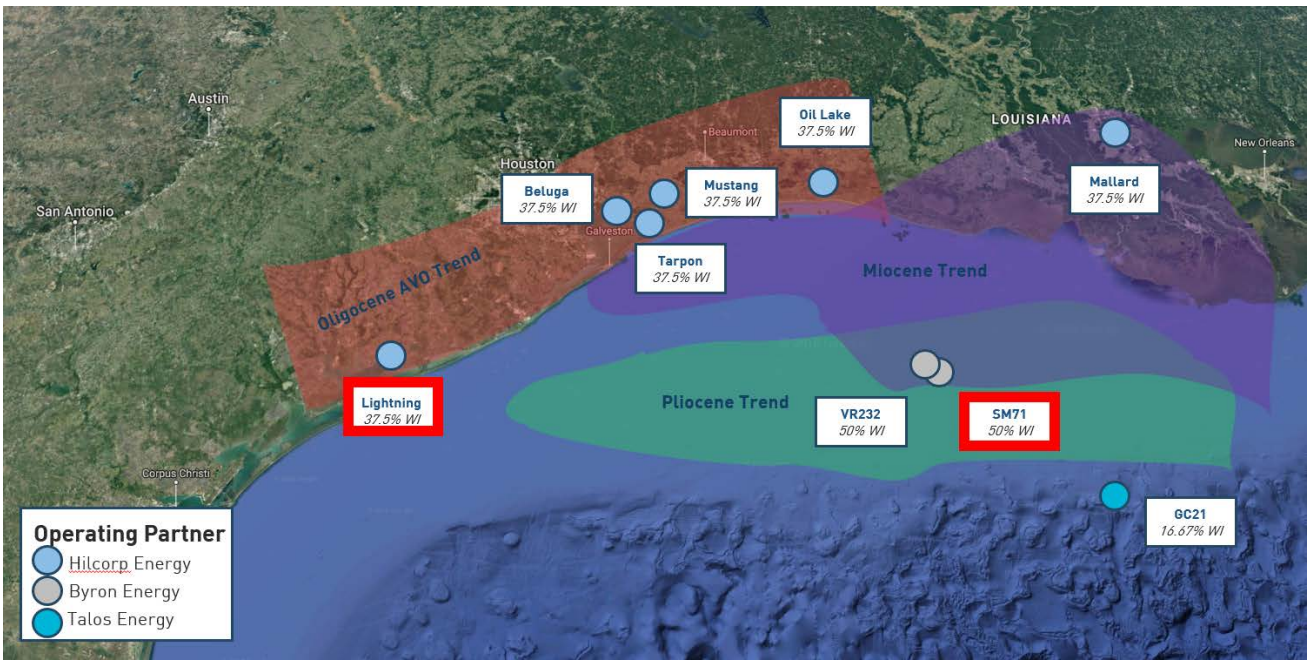
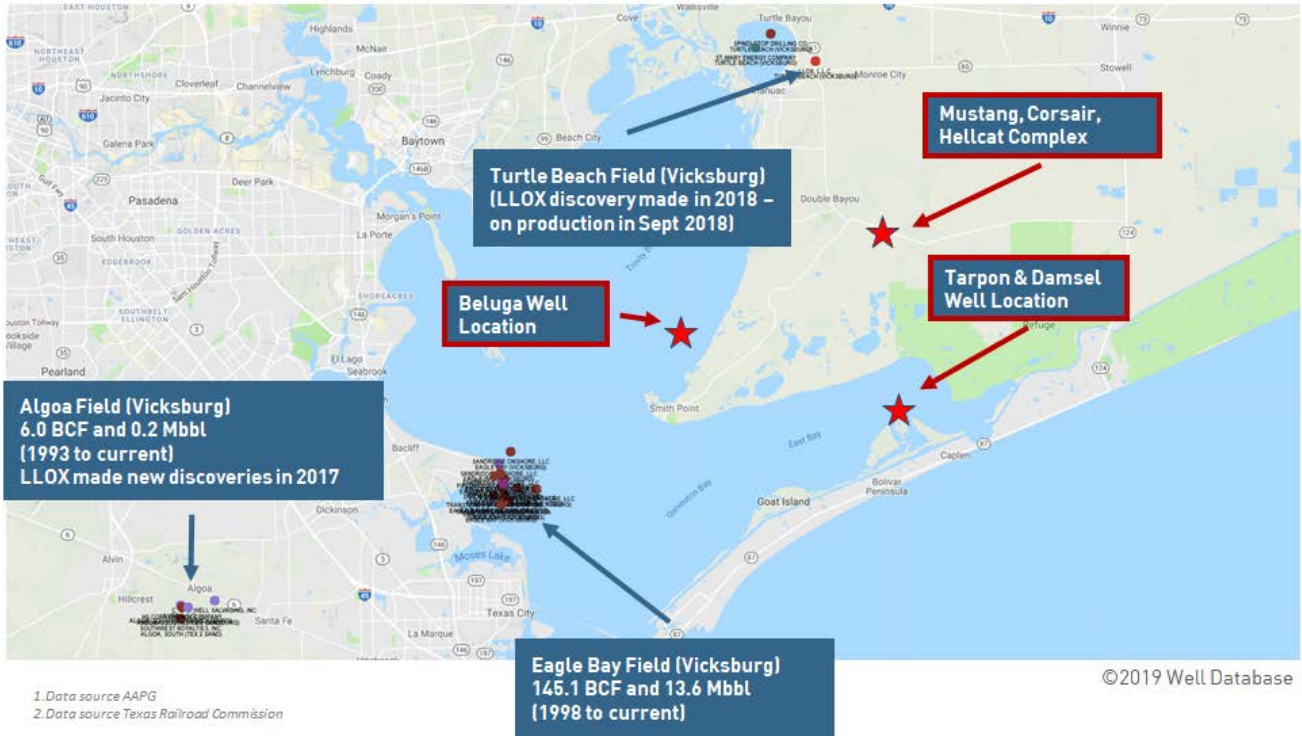
Appendix 1 – Mustang Information

Mustang Key Details		
JV Partners	Hilcorp (operator) Otto Energy	62.50% 37.50%
Well Depth	19,000 ft MD/18,000 ft TVD	
Geological Setting	Significant historical production exists from the Frio/Tex Miss shelf edge, however the channel/levee setting has only been lightly explored. Overlaying production from the shallower Miocene levels dates back to the early 1930's. Recent drilling in the Vicksburg has confirmed that this relatively underexplored play is yielding multiple new discoveries. The Mustang prospect demonstrates strong AVO (amplitude versus offset) on 3D seismic with good conformance of the amplitude response to structure at multiple levels.	
Lease terms	Royalty rate 24%	
Development Plan	Completed well will be tied back to an existing gas export line near the well. Estimated completion and development costs US$3.05 million (Otto share US$1.30 Million)	



Otto Gulf Coast and Shelf interests



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

Vicksburg discoveries in Chambers County, Texas

Competent Persons Statement

The information in this report that relates to oil and gas resources in relation to the Mustang 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 probabalistic 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).
- Refer to the ASX release of 31 July 2019 for further information on the prospective resources for Mustang and the rest of the Hilcorp portfolio.

Definitions

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