

ASX ANNOUNCEMENT

7 January 2019

ALASKA OPERATIONS UPDATE – WINX-1

- **Ice road construction commenced for Winx-1 exploration well**
- **Winx-1 Permit to Drill submitted**
- **Spud schedule for mid-late February 2019**

Otto Energy Limited (ASX:OEL) (“Otto” or the “Company”) is pleased to provide the following update on its oil and gas operations on the North Slope of Alaska.

Construction of the approximately 11 mile ice road to the Winx-1 exploration well location commenced on the 2nd January 2019, as planned. The ice road will take approximately three weeks to complete, ahead of construction of the ice pad upon which Nordic Rig#3 will be located for the drilling of Winx-1.

The Permit to Drill for Winx-1 was submitted to the Alaska Oil and Gas Conservation Commission (AOGCC) on schedule, prior to the end of calendar year 2018. All logistics and permitting remains on schedule for a mid-late February spud date. Additional details related to the drilling and testing program will be released in due course.

Winx-1 is located ~4 miles east of the Horseshoe-1/1A well that significantly extended the highly successful Nanushuk play fairway to the south. Winx-1 will target gross best estimate prospective resource of 400 million barrels of oil (75 million barrels Otto’s 18.75% net revenue interest) across multiple stacked objectives, including the Nanushuk, which is the primary target of the well.

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 Managing Director, Matthew Allen, commented: *“Otto has a very active drilling schedule already underway and the commencement of drilling at the Winx-1 well testing a large Nanushuk target provides Otto shareholders with an exciting coming few months. Otto’s technical team has done an excellent job in identifying and developing the Winx-1 target and success will unlock an extension to one of the largest emerging conventional oil plays in North America.”*

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Ice Road Construction for Winx-1 Commences in Alaska

Competent Persons Statement

The information in this report that relates to oil and gas resources in relation to Alaska was compiled by Mr Paul Senycia BSc (Hons) (Mining Engineering), MAppSc (Exploration Geophysics), who has consented to the inclusion of such information in this report in the form and context in which it appears.

Mr Senycia 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 Senycia. Mr Senycia 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 Reporting Notes

- The prospective resources information in this document is effective as at 30 April 2018 (Listing Rule (LR) 5.25.1).
- The prospective resources information in this document 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 in this document 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 deterministic 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).
- The prospective resources information in this document has been estimated on the basis that products are sold on the spot market with delivery at the sales point on the production facilities (LR 5.26.5).
- Prospective resources are reported on a best estimate basis (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).
- In respect to the prospective resources referred to in this statement, Otto has a 22.5% working interest in four leases (ADL#s 391718, 391719, 319720 and 391721), totalling 22,711 acres all of which are located on the North Slope, Alaska, USA (LR 5.35.1).
- The prospective resources have been estimated on the following basis (LR 5.35.2): the best estimate prospective resource calculation was based on a consideration of offset well information and seismic expression; a combination of volumetric assessment and field analogues have been used to estimate the prospective resources; exploration drilling will be required to assess these resources.
- The chance of discovery is considered moderate as the prospective resources are near developed and undeveloped reserves and in a proven oil and gas producing province. There is a risk that exploration will not result in sufficient volumes of oil and/or gas for a commercial development (LR 5.35.3).
- Prospective resources are un-risked and have not been adjusted for an associated chance of discovery and a chance of development (LR 5.35.4).