

BELUGA WELL AND GULF COAST PACKAGE UPDATE

- The Beluga Unit #1 exploration well in Chambers County, Texas is set to commence drilling
- The well will test the prolific Vicksburg trend and is on trend with the prolific Eagle Bay field
- The prospect is amplitude and structurally supported on reprocessed 3D seismic
- Drilling is expected to take 46 days to reach total depth on a dry hole basis
- Following the conclusion of the Beluga well, based on mutual agreement between Hilcorp and Otto Energy, no further drilling will be required under the Gulf Coast Drilling Program.

Otto Energy Limited (ASX:OEL) ("Otto" or the "Company") is pleased to announce that with regards to Otto's Eight Well Gulf Coast exploration package with Hilcorp announced on 31 July 2018, Hilcorp and Otto have mutually agreed to remove the Tarpon, Oil Lake and Mallard prospects from the agreement due to current market conditions. Once Otto pays its share of costs associated with the Beluga prospect through the setting of production casing or plugging and abandoning the well, there will be no additional drilling required under this agreement.

The Beluga Unit #1 in Chambers County Texas, is set to commence drilling using a barge rig on or around October 5th 2020. The well will be drilled to approximately 13,300 ft TVD and is expected to take 46 days to reach total depth. For this well Otto will earn a 18.75% working interest by paying 25% of the costs of drilling and either setting casing or plugging and abandoning the well, after which point Otto will pay 18.75% of all future costs. The well is expected to cost the Company US\$2.25 million. These terms represent a variation of the original farm-in terms where Otto would ordinarily earn a 37.50% working interest by paying 50% of the costs of drilling and either setting casing or plugging and abandoning the well.

The Beluga Unit #1 exploration well in Chambers County, Texas is targeting the Vicksburg sand that is Oligocene in age. Recent discoveries in the Vicksburg trend confirms 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 channel/levee system with AVO (amplitude variation with offset) support. The prospect has been assessed as having a probability of success of 45%. The Beluga Unit #1 well is on trend with the nearby Eagle Bay field which has produced over 13.6 MMbbl and 145.1 Bcf from the Vicksburg formation since 1998.

BELUGA PROSPECTIVE RESOURCES ^{1 2}

Prospect	GROSS			OTTO 18.75% WI			OTTO 15.0 % NRI		
	Oil (MMbbl)	Gas (Bscf)	MMBOE (6:1)	Oil (MMbbl)	Gas (Bscf)	MMBOE (6:1)	Oil (MMbbl)	Gas (Bscf)	MMBOE (6:1)
P90	0.07	4.39	0.80	0.01	0.82	0.15	0.01	0.66	0.12

¹ Please refer to the Competent Person's statement on page 4.

² The Prospective Resources released on 24 September 2020 were at Otto's prior 37.5% WI/ 30% NRI. This table reflect Otto's updated 18.75% WI/ 15% NRI.

P50	0.49	14.47	2.90	0.09	2.71	0.54	0.07	2.17	0.44
Mean	1.21	21.25	4.75	0.23	3.98	0.89	0.18	3.19	0.71
P10	3.31	47.15	11.17	0.62	8.84	2.09	0.50	7.07	1.68

Otto’s next announcement in relation to this well will be when a material event has occurred. The estimated quantities of hydrocarbons 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. In the event of success at Beluga, additional drilling prospects exist on acreage.

Otto’s Managing Director, Mike Utsler, commented: *“We are excited to be participating in another high quality, exploration well, and are thrilled to continue partnering with Hilcorp for what we consider is a valuable long term relationship with one of the top Operators in the Gulf Coast.”*

This release is authorized by the Company’s Board of Directors.

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Appendix 1 – Beluga Prospect Information

Beluga Key Details					
JV Partners	<table border="0"> <tr> <td>Hilcorp (operator)</td> <td>81.25%</td> </tr> <tr> <td>Otto Energy</td> <td>18.75%</td> </tr> </table>	Hilcorp (operator)	81.25%	Otto Energy	18.75%
Hilcorp (operator)	81.25%				
Otto Energy	18.75%				
Well Depth	13,300 ft TVD				
Geological Setting	<p>Significant historical production exists from the Frio/Tex Miss shelf edge, however the channel/levee setting has only been lightly explored. Overlying 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.</p> <p>The Beluga prospect demonstrates strong AVO (amplitude versus offset) on 3D seismic with reasonable conformance of the amplitude response to structure.</p>				
Lease terms	Royalty rate 20%				
Development Plan	Completed well will be tied back to an existing gas pipeline. Estimated production casing, completion and development costs US\$5.1 million (Otto share US\$1 Million)				

1 Competent Persons Statement

The information in this report that relates to oil and gas resources in relation to the Gulf Coast Package 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 and LR 5.28

- 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).
- 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)

Definitions

“\$m” means USD millions of dollars

“bbl” means barrel

“bbls” means barrels

“bopd” means barrels of oil per day

“Mbbbl” 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