

ASX ANNOUNCEMENT

4 October 2019

GULF OF MEXICO OPERATIONS UPDATE

- **The Green #2 development well at the Lightning field is expected to begin drilling this week**
- **The Green Canyon 21 development plan has been tabled to joint venture**
- **Production testing has started at the Mustang discovery**
- **Developments to be funded via a new financing package currently being finalised**

Otto Energy Limited (ASX:OEL) (“Otto” or the “Company”) is pleased to provide the following updates on operational activities in the Gulf of Mexico region involving Green Canyon 21 (GC 21), the Gulf Coast well program including the Lightning gas/condensate producing field and the Mustang discovery and South Marsh Island 71 (SM 71).

Lightning development well (Otto Working Interest 37.5%/ Net Revenue Interest 28.57%)

The Operator of the currently producing Lightning gas/condensate field onshore Matagorda County, Texas, Hilcorp Energy, has advised that the Green #2 development well is expected to spud later this week. The rig is currently on site and rigging up. The well is anticipated to take 60 days. It is expected that the Green #2 well will be completed for production in early 2020. The well is expected to cost US\$7.94 million gross (US\$2.98 net to Otto) on a dry hole basis and will be drilled to 15,234 MD/ 15,100 TVD.

Following the successful Green #1 well that has been on production since May 2019, the joint venture has accelerated the drilling of the Green #2 well to further evaluate the currently producing Tex Miss 1 and Tex Miss 2/3 reservoir units. Once the Green #2 well is brought onto production, it is expected that the well will add significantly to current overall production from the field, with the potential to add increased recovery from the Tex Miss 2/3 zone that was yielding significantly higher liquids rates in initial testing. A further 2-3 wells are expected to be required to fully develop the significant discovery at the Lightning field.

The well will be fully funded through a new finance facility currently being finalised.

Green Canyon 21 (GC 21) development (Otto Working Interest 16.67% / Net revenue Interest 13.34%)

The GC 21 well discovered ~140 ft of net true vertical depth (TVD) oil pay in the shallow (DTR-10 sand) and ~110 ft of net TVD oil pay in the deep (MP sand) targets as announced most recently on 8 August 2019. A joint venture meeting was held with the Operator, Talos Energy (NYSE:TALO) (“Talos”), in late September to evaluate the development plan to bring the well into production. Under the plan the operator will complete the well for production and then tie it back to the Talos owned and operated Green Canyon 18 facility approximately 10 miles to the west of the GC 21 well.

Completion of the GC21 “Bulleit” well is expected by mid-2020 with first production in late Q3 2020. Otto’s share of development costs and remaining cash calls for the exploration well will be funded from a new finance facility currently being finalised.

Mustang well testing (Otto Working Interest 37.5%/ Net Revenue Interest 28.13%)

The Operator, Hilcorp Energy, has advised that equipment for testing the Mustang discovery in Chambers County, Texas has been moved to the location and testing has begun. Testing is expected to take two weeks. An announcement will be made once material information is gained regarding the analysis of the testing result.

South Marsh Island 71 (SM 71) F4 exploration well

(Otto Energy Working Interest 50%/ Net Revenue Interest 40.625%)

Regarding the SM 71 F4 exploration well, based on information represented to us by the operator of SM 71 at the time, Otto elected not to consent to the SM 71 F4 well.

Funding

Otto is in the final stages of securing a significant financing package which will fund the Green #2 development well, GC 21 and provide capacity for Otto’s other current and future developments.

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About Otto Energy:

Otto is an ASX-listed oil and gas exploration and production company with a regional focus on North America, focused on the Gulf of Mexico region near-term. Otto currently has oil production from the SM 71 oil field in the Gulf of Mexico and gas/condensate production from the Lightning discovery onshore Matagorda County, Texas. Development is underway at the Green Canon 21 “Bulleit” oil discovery in the Gulf of Mexico and testing of the Mustang discovery is also expected in the coming weeks. Cashflow from its producing assets underpins its growth strategy including an active exploration and appraisal program underway in the Gulf of Mexico region.