

**ASX ANNOUNCEMENT**

21 October 2019

**NOTICE OF ANNUAL GENERAL MEETING**

Otto Energy Limited (ASX:OEL) ("Otto") has today dispatched the attached Notice of Annual General Meeting to Shareholders in relation to its Annual General Meeting being held on 21 November 2019.

**For Further Information:**

<u>Contact:</u> Matthew Allen Managing Director & CEO +61 8 6467 8800 <a href="mailto:info@ottoenergy.com">info@ottoenergy.com</a>	<u>Investor Relations:</u> Krista Walter (VP Investor Relations) / Mark Lindh (Adelaide Equity) +61 (0) 2 4017 1257 / +61 414 551 361 <a href="mailto:investor-relations@ottoenergy.com">investor-relations@ottoenergy.com</a>
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www.ottoenergy.com

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**OTTO ENERGY LIMITED**

**ACN 107 555 046**

**NOTICE OF ANNUAL GENERAL MEETING**

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Notice is given that the Meeting will be held at:

**TIME:** 10.00 am (AEDT)

**DATE:** Thursday, 21 November 2019

**PLACE:** The Executive Centre  
Level 26, 1 Bligh St  
Sydney NSW 2000

***The business of the Meeting affects your shareholding and your vote is important.***

***This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.***

***The Company's Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered holders of fully paid ordinary shares at 7.00 pm (AEDT) on 19 November 2019.***

***The Company's Directors (except where they are excluded from voting and making a recommendation as set out in this Notice of Meeting) recommend that eligible Shareholders vote IN FAVOUR of all of the Resolutions put to the Meeting.***

***Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 8232 8800.***

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## BUSINESS OF THE MEETING

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### AGENDA

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#### 1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the annual financial report, Directors' report and the auditors' report for the Company and its consolidated entities for the financial year ended 30 June 2019.

#### 2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

*“That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company’s annual financial report for the financial year ended 30 June 2019.”*

**Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.**

**Directors' Recommendation:** The Directors recommend that Shareholders vote in favour of Resolution 1.

**Voting Exclusion Statement:** The Company will disregard any votes cast on this resolution by certain persons. Details of the applicable voting exclusions are set out in the 'Voting exclusions' section of the Notes to this Notice.

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#### 3. RESOLUTION 2 – ELECTION OF DIRECTOR WHO WAS APPOINTED BY OTHER DIRECTORS – KEVIN SMALL

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of rule 48(c) of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Kevin Small, who was appointed as a Director by the Board since the last annual general meeting, retires, and being eligible offers himself for election as a Director, be elected as a Director.”*

**Directors' Recommendation:** The Directors support the election of Kevin Small and recommend that Shareholders vote in favour of Resolution 2.

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#### 4. RESOLUTION 3 – RE-ADOPTION OF THE PERFORMANCE RIGHTS PLAN

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of ASX Listing Rule 7.2 (Exception 9(b)) and for all other purposes, approval is given for the Company to re-adopt the employee incentive scheme titled "Otto Energy Limited Performance Rights Plan" (**Performance Rights Plan**) and for the issue of Performance Rights under that Performance Rights Plan, on the terms and conditions set out in the Explanatory Statement.”*

**Directors' Recommendation:** The Directors recommend that Shareholders vote in favour of Resolution 3.

**Voting Exclusion Statement:** The Company will disregard any votes cast on this resolution by certain persons. Details of the applicable voting exclusions are set out in the 'Voting exclusions' section of the Notes to this Notice.

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**5. RESOLUTION 4 – RE-ADOPTION OF THE OPTION PLAN**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of ASX Listing Rule 7.2 (Exception 9(b)) and for all other purposes, approval is given for the Company to re-adopt the employee incentive scheme titled "Otto Energy Limited Employee Share Option Plan" (**Option Plan**) and for the issue of Options under that Option Plan, on the terms and conditions set out in the Explanatory Statement.”*

**Directors' Recommendation:** The Directors recommend that Shareholders vote in favour of Resolution 4.

**Voting Exclusion Statement:** The Company will disregard any votes cast on this resolution by certain persons. Details of the applicable voting exclusions are set out in the 'Voting exclusions' section of the Notes to this Notice.

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**6. RESOLUTION 5 – APPROVAL OF THE ISSUE OF PERFORMANCE RIGHTS TO MATTHEW ALLEN (AND EXCEPTION TO 15% CAP)**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, subject to the passing of Resolution 3, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the Company to issue up to a maximum of 8,292,000 Performance Rights to Matthew Allen (or his nominee) under the Performance Rights Plan in accordance with the terms and conditions set out in the Explanatory Statement.”*

**Directors' Recommendation:** The Directors (other than Mr Allen) recommend that Shareholders vote in favour of Resolution 5.

**Voting Exclusion Statement:** The Company will disregard particular votes cast on this resolution by certain persons. Details of the applicable voting exclusions are set out in the 'Voting exclusions' section of the Notes to this Notice.

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**7. RESOLUTION 6 – APPROVAL OF THE ISSUE OF PERFORMANCE RIGHTS TO KEVIN SMALL (AND EXCEPTION TO 15% CAP)**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, subject to the passing of Resolutions 2 and 3, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the Company to issue up to a maximum of 5,133,000 Performance Rights to Kevin Small (or his nominee) under the Performance Rights Plan in accordance with the terms and conditions set out in the Explanatory Statement.”*

**Directors' Recommendation:** The Directors (other than Kevin Small) recommend that Shareholders vote in favour of Resolution 6.

**Voting Exclusion Statement:** The Company will disregard particular votes cast on this resolution by certain persons. Details of the applicable voting exclusions are set out in the 'Voting exclusions' section of the Notes to this Notice.

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**8. RESOLUTION 7 – APPROVAL OF 10% PLACEMENT CAPACITY**

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

*“That, for the purposes of ASX Listing Rule 7.1A and for all other purposes, approval is given for the Company to issue up to that number of Equity Securities equal to 10% of the issued capital of the Company at the time of issue, calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and otherwise on the terms and conditions set out in the Explanatory Statement.”*

**Directors' Recommendation:** The Directors recommend that Shareholders vote in favour of Resolution 7.

**Voting Exclusion Statement:** The Company will disregard particular votes cast on this resolution by certain persons. Details of the applicable voting exclusions are set out in the 'Voting exclusions' section of the Notes to this Notice.

**Dated: 21 October 2019**

**By order of the Board**



**David Rich**  
Company Secretary

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## NOTES

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### Voting Eligibility

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Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) permits the Company to specify a time, not more than 48 hours before a general meeting, at which a 'snap-shot' of Shareholders will be taken for the purposes of determining Shareholder entitlements to vote at the Meeting.

The Board has determined that the registered holders of fully paid ordinary shares at 7.00 pm (AEDT time) on Tuesday, 19 November 2019 will be taken to be holders of ordinary shares for the purposes of the Meeting and accordingly, will be entitled to attend and vote at the Meeting.

### Voting in Person

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To vote in person, attend the Meeting on Thursday, 21 November 2019 at 10.00 am (AEDT) at The Executive Centre, Level 26, 1 Bligh St, Sydney NSW 2000.

### Voting by Proxy

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An eligible Shareholder can vote in person at the Meeting or appoint a proxy or, where a Shareholder is entitled to two or more votes, two proxies. Where two proxies are appointed, a Shareholder may specify the number or proportion of votes to be exercised by each proxy appointed. If no number or proportion of votes is specified, each proxy appointed will be taken to exercise half of that Shareholder's votes (disregarding fractions).

An appointed proxy need not themselves be a Shareholder.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

To be valid, the appointment of a proxy (made using a properly completed and executed Proxy Form) must be received by the Company no later than 4.00 pm (AEDT time) on 19 November 2019, being not later than 48 hours before the commencement of the Meeting.

Proxy Forms can be submitted in four ways:

- **Online** by visiting the Link Market Services Limited website ([www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)). Please follow the prompts and have your SRN or HIN available;
- By **mail** to Otto Energy Limited at c/- Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235 using the enclosed return envelope;
- By **facsimile** to +61 2 9287 0309; or
- By **hand** to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138 during normal business hours (Monday – Friday, 9:00am – 5:00pm (AEDT)).

Instructions on how to complete the Proxy Form are on the reverse of the Proxy Form accompanying this Notice.

If a Proxy Form is signed by an attorney, a Shareholder must also send in the original or a certified copy of the power of attorney or other authority under which the Proxy Form is signed.

### Undirected Proxies

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The Chair intends to vote undirected proxy votes in favour of all Resolutions (subject to the voting exclusions below).

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## **Voting by Corporate Representative**

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A Shareholder or proxy which is a corporation and entitled to attend and vote at the Meeting may appoint an individual to act as its corporate representative to vote at the Meeting. The appointment must comply with section 250D of the Corporations Act. The representative should bring to the Meeting evidence of his or her appointment unless it has previously been provided to Link Market Services Limited.

## **Voting by Attorney**

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A Shareholder entitled to attend and vote at the Meeting is entitled to appoint an attorney to attend and vote at the Meeting on the Shareholder's behalf. An attorney need not themselves be a Shareholder.

The power of attorney appointing the attorney must be signed and specify the name of each of the Shareholder, the Company and the attorney, and also specify the meeting(s) at which the appointment may be used. The appointment may be a standing one.

To be effective, the power of attorney must also be returned in the same manner, and by the same time, as specified for Proxy Forms.

## **Voting Exclusions**

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The Corporations Act and the ASX Listing Rules require that certain persons must not vote in particular ways, and the Company must disregard particular votes cast by or on behalf of certain persons, on seven of the resolutions to be considered at the Meeting. These voting exclusions are described below.

### **(a) Resolution 1: Adoption of Remuneration Report**

A vote on Resolution 1 must not be cast:

- by or on behalf of a member of the Key Management Personnel details of whose remuneration are included in the Remuneration Report, or a Closely Related Party of such a member, regardless of the capacity in which the vote is cast; or
- by a person appointed as proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such a member.

However, a person (the **voter**) described above may cast a vote on Resolution 1 as a proxy if the vote is not cast on behalf of a person described above and either:

- the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on Resolution 1; or
- the voter is the Chair and the appointment of the Chair as proxy:
  - does not specify the way the proxy is to vote on Resolution 1; and
  - expressly authorises the Chair to exercise the proxy even though Resolution 1 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

### **(b) Resolution 2: Election of Directors**

No voting exclusions apply in relation to Resolution 2.

### **(c) Resolutions 3 and 4: Re-Adoption of Employee Incentive Schemes**

The Company will disregard any votes cast in favour of Resolutions 3 and 4 by or on behalf of any Director except one who is ineligible to participate in any employee incentive scheme in relation to the Company, or any associates of those Directors. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.



A person appointed as a proxy must not vote, on the basis of that appointment, on Resolutions 3 or 4 if:

- the proxy is either:
  - a member of the Key Management Personnel; or
  - a Closely Related Party of such a member; and
- the appointment does not specify the way the proxy is to vote on the Resolution.

However, the above prohibition does not apply if:

- the proxy is the Chair; and
- the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

**(d) Resolutions 5 and 6: Approval of the Issue of Performance Rights to Directors (and Exception to 15% Cap)**

The Company will disregard any votes cast in favour of Resolutions 5 and 6 by or on behalf of any Director except one who is ineligible to participate in any employee incentive scheme in relation to the Company, or any associates of those Directors. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

A person appointed as a proxy must not vote, on the basis of that appointment, on Resolutions 5 or 6 if:

- the proxy is either:
  - a member of the Key Management Personnel; or
  - a Closely Related Party of such a member; and
- the appointment does not specify the way the proxy is to vote on the Resolution.

However, the above prohibition does not apply if:

- the proxy is the Chair; and
- the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

**(e) Resolution 7: Approval of 10% Placement Capacity**

The Company will disregard any votes cast in favour of Resolution 7 by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons). However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

The Company will also apply these voting exclusions to persons appointed as attorney by a Shareholder to attend and vote at the Meeting under a power of attorney, as if they were appointed as a proxy.

## **Resolutions**

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All items of business involving a vote by Shareholders other than Resolutions 1 and 7 require ordinary resolutions, which means that, to be passed, the item needs the approval of a simple majority of the votes cast by Shareholders entitled to vote on the Resolution.

Resolution 1 is a non-binding resolution, which means that the Resolution is advisory only and does not bind the Directors or the Company.

Resolution 7 requires a special resolution, which means that, to be passed, the item needs the approval of at least 75% of the votes cast by Shareholders entitled to vote on the Resolution.

## **Your Proxy Form is enclosed with this Notice of Meeting**

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If you have any queries on how to cast your votes then call the Company's share registry, Link Market Services Limited on +61 1300 554 474 during normal business hours (Monday – Friday, 8:30am – 7:30pm (AEDT)).

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Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 8232 8800.

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## EXPLANATORY STATEMENT

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The information in this Explanatory Statement is provided to Shareholders of Otto Energy Limited in compliance with the Corporations Act, the ASX Listing Rules and the Constitution.

This Explanatory Statement forms part of the notice convening the Annual General Meeting of Otto Energy Limited to be held at The Executive Centre, Level 26, 1 Bligh St, Sydney NSW 2000 at 10.00 am (AEDT) on Thursday, 21 November 2019.

All Shareholders should read this Explanatory Statement in full. Shareholders should obtain professional advice before making any decisions in relation to the resolutions to be put to Shareholders at the Meeting.

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### 1. FINANCIAL STATEMENTS AND REPORTS

As required by section 317 of the Corporations Act, the annual financial report, Directors' report and auditor's report of the Company and its consolidated entities for the most recent financial year (namely the period ended 30 June 2019) will be laid before the Meeting.

There is no requirement for a shareholder resolution on this item. Accordingly, there will be no resolution put to the Meeting. However, the Company's auditor will also be present at the Meeting and Shareholders will be given the opportunity to ask the auditor questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company and the independence of the auditor.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at [www.ottoenergy.com](http://www.ottoenergy.com).

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### 2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

#### 2.1 General

The Remuneration Report is required to be considered by Shareholders in accordance with section 250R(2) of the Corporations Act.

The Remuneration Report for the year ended 30 June 2019 contains:

- (a) the remuneration policy for the Company;
- (b) an overview of the link between remuneration and corporate performance; and
- (c) a report on the remuneration arrangements in place for the Non-Executive Directors, the Executive Director, the Managing Director and certain members of senior management.

The Remuneration Report, which is contained in the Company's annual financial report for the year ended 30 June 2019, is available on the Company's website at [www.ottoenergy.com](http://www.ottoenergy.com).

Shareholders will have an opportunity to ask questions and make comments about the Remuneration Report at the Meeting. Shareholders will be asked to vote on a resolution to adopt the Remuneration Report. Under the Corporations Act, the vote on the resolution is advisory only and does not bind the Board or the Company. However, the Board will take the outcome of the vote into consideration in future reviews of the remuneration policy for Directors and executives.

## 2.2 Voting consequences

A company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the most recent financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

## 2.3 Previous voting results

At the Company's previous annual general meeting the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Meeting.

## 2.4 Directors' recommendation

Noting that each Director has a personal interest in their own remuneration from the Company (as described in the Remuneration Report) and, that each Director (or any Closely Related Party of a Director) is excluded from voting their Shares on the Resolution (as described in the 'Voting exclusions' section of the Notes to the Notice), the Directors unanimously recommend that Shareholders vote in favour of the adoption of the Remuneration Report.

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## 3. RESOLUTION 2 – ELECTION OF DIRECTOR WHO WAS APPOINTED BY OTHER DIRECTORS – KEVIN SMALL

### 3.1 General

The Constitution allows the Board to appoint at any time any person as a Director to fill a casual vacancy or as an addition to the Board, provided that the number of Directors (excluding alternate Directors) does not exceed 9.

ASX Listing Rule 14.4 and rule 48(c) of the Constitution provide that a Director appointed by the Board to fill a casual vacancy or as an addition to the Board may hold office only until the end of the next annual general meeting of the Company and is then eligible for election at that meeting.

In accordance with the ASX Listing Rules and rule 48(c) of the Constitution, Kevin Small retires from office and offers himself for election.

A biography of Kevin Small (first appointed as a Director on 29 January 2019) is set out in the Company's annual financial report for the year ended 30 June 2019.

The Board has considered Kevin Small's independence and considers that he is not an independent Director because he is an executive Director.

### 3.2 Directors' recommendation

The Directors (other than Kevin Small) unanimously support the election of Kevin Small as a Director and recommend that Shareholders vote in favour of Resolution 2. The Directors are not aware of any other information that would be material to Shareholders' decision as to whether to elect Kevin Small as a Director.

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## 4. RESOLUTIONS 3 AND 4 – RE-ADOPTION OF EMPLOYEE INCENTIVE SCHEMES

### 4.1 General

In accordance with ASX Listing Rule 7.2 (Exception 9(b)):

- (a) Resolution 3 seeks Shareholder approval for the re-adoption of the employee incentive scheme titled "Otto Energy Limited Performance Rights Plan" (**Performance Rights Plan**); and
- (b) Resolution 4 seeks Shareholder approval for the re-adoption of the employee incentive scheme titled "Otto Energy Limited Employee Share Option Plan" (**Option Plan**),

(together the **Plans**). Each Plan was previously adopted by Shareholders on 16 November 2016.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period. ASX Listing Rule 7.2 (Exception 9(b)) sets out an exception to ASX Listing Rule 7.1 which provides that issues under an employee incentive scheme are exempt for a period of 3 years from the date on which shareholders approve the issue of securities under the scheme as an exception to ASX Listing Rule 7.1.

If Resolutions 3 and 4 are passed, the Company will continue to be able to issue Performance Rights under the Performance Rights Plan and Options under the Options Plan to eligible participants over a period of 3 years without impacting on the Company's ability to issue up to 15% of its total ordinary securities without Shareholder approval in any 12 month period.

Any future issues of Performance Rights or Options under the Plans to a related party or a person whose relationship with the Company or the related party is, in ASX's opinion, such that approval should be obtained will require additional Shareholder approval under ASX Listing Rule 10.14 at the relevant time.

### 4.2 Performance Rights Plan

Shareholders should note that 46,855,000 Performance Rights have been issued under the Performance Rights Plan since the Performance Rights Plan was last approved by Shareholders, of which none have lapsed as at the date of this Notice.

The Performance Rights Plan is designed to incentivise employees and Directors and to attract, motivate and retain key employees. Under the Company's current circumstances, the Directors consider that the incentive represented by the grant of Performance Rights are a cost effective and efficient means for the Company to provide a reward and an incentive, as opposed to alternative forms of incentive, such as the payment of additional cash compensation and will provide selected employees with the opportunity to participate in the future growth of the Company.

#### **4.3 Option Plan**

Shareholders should note that no Options have been issued under the Option Plan since the Option Plan was last approved by Shareholders.

The Option Plan is designed to incentivise employees and Directors of the Company and its subsidiaries. Under the Company's current circumstances, the Directors consider that the incentive represented by the grant of Options are cost effective and efficient means for the Company to provide a reward and an incentive, as opposed to alternative forms of incentive, such as the payment of additional cash consideration.

#### **4.4 Directors' recommendation**

The Directors recommend that Shareholders vote in favour of Resolutions 3 and 4.

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### **5. RESOLUTIONS 5 AND 6 – APPROVAL OF THE ISSUE OF PERFORMANCE RIGHTS TO DIRECTORS (AND EXCEPTION TO 15% CAP)**

#### **5.1 Background**

Shareholder approval is sought to issue the following Performance Rights under the Performance Rights Plan:

- (a) up to a maximum of 8,292,000 Performance Rights to Matthew Allen (or his nominee); and
- (b) up to a maximum of 5,133,000 Performance Rights to Kevin Small (or his nominee).

Matthew Allen and Kevin Small are both executive Directors of the Company. There is no proposal to grant Performance Rights to non-executive Directors of the Company at this Annual General Meeting.

ASX Listing Rule 10.14 requires the Company to obtain Shareholder approval in order to issue securities to a Director under the Performance Rights Plan. A Performance Right is a right to receive a Share if the Performance Right vests. Accordingly, Shareholder approval under ASX Listing Rule 10.14 is required to issue Performance Rights to Directors Matthew Allen and Kevin Small.

If Resolutions 5 and 6 are approved for the purposes of ASX Listing Rule 10.14, any Shares issued on vesting of a Performance Right will be issued under the Performance Rights Plan, and for that reason Shareholder approval is not required under ASX Listing Rule 7.1. In other words, exception 14 set out in ASX Listing Rule 7.2 applies and any Shares issued on vesting of Performance Rights will not be included in the Company's annual 15% placement capacity granted under ASX Listing Rule 7.1.

ASX Listing Rule 10.11 requires Shareholder approval for the issue of securities to a related party of the Company, but if Resolutions 5 and 6 are approved for the purposes of ASX Listing Rule 10.14, Shareholder approval is not required under ASX Listing Rule 10.11.

Resolution 5 is subject to the passing of Resolution 3. Resolution 6 is subject to the passing of Resolutions 2 and 3.

## 5.2 Terms and conditions of Performance Rights

Each Performance Right will:

- (a) be issued for nil cash consideration, and no consideration will be payable upon the vesting (or exercise) of the Performance Rights on the achievement of the Performance Conditions;
- (b) in respect of all of Mr Small's performance rights, and 5,528,000 of Mr Allen's performance rights (designated in the table below as (Matthew Allen #1), these will vest when the total shareholder return (TSR) is 15% per annum or greater over the period from the grant date to the measurement date (the **Performance Condition**). The Performance Rights granted will have measurement dates at one, two and three years following the grant date and will expire five years after the grant date. One third of the performance rights granted will be available to vest at each measurement date. The starting base for measurement of the TSR will be a deemed grant date share price of the 90 day volume weighted average price at the close of trading on 21 November 2019 being the date of this Annual General Meeting. Where a Performance Right does not vest on a measurement date, it will roll forward to the next measurement date or the expiry date if it is the third measurement date;
- (c) in respect of 2,764,000 of Mr Allen's performance rights (Matthew Allen #2), these will vest on the same terms as set out in (b) above, except that the required TSR will be 20% per annum;
- (d) also vest if a takeover bid for the Company is declared unconditional, there is a change of control event, or if a merger by way of scheme of arrangement has been approved by a court; and
- (e) lapse, unless the Board determines otherwise, on the earlier to occur of:
  - (i) five years from the grant date; and
  - (ii) otherwise in accordance with the terms of the Performance Rights Plan (including upon cessation of employment or office).

A summary of all the key terms and conditions of the Performance Rights Plan is set out in Schedule 1.

The key purpose of the grant of Performance Rights to executive Directors under the Performance Rights Plan is to provide a cost effective way to remunerate executive Directors, as opposed to alternative forms of incentives such as the payment of additional cash compensation. The Performance Condition will also align the interests of the executive Directors with those of Shareholders.

The purpose of the grant of the second tranche of performance rights to Matthew Allen (designated as Matthew Allen #2 in the table below) at the higher hurdle rate is to compensate the Managing Director in lieu of an increase in his fixed annual remuneration. Mr Allen's remuneration is due for review with him having been in Houston now for over a year and Otto having made significant progress in its US business including three new discoveries. The Board considers the awarding of rights, which are at risk, to be better aligned to shareholders' interests than an increase in cash remuneration.

## 5.3 Related party transactions

Chapter 2E of the Corporations Act provides that a 'financial benefit' cannot be provided to related parties (which includes Directors) of a public company without shareholder approval unless an exception applies. Under section 210 of the Corporations Act, shareholder approval is

not needed where the financial benefit proposed to be provided constitutes reasonable remuneration to the related party.

The issue of Performance Rights to Matthew Allen and Kevin Small constitutes the giving of a financial benefit.

The Directors (other than Matthew Allen and Kevin Small) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required for the issue of Performance Rights under Resolutions 5 and 6 because the grant of the Performance Rights constitutes reasonable remuneration. In forming these views, the Directors carried out an assessment of the equity incentive component of other directors in peer group companies, and also had regard to the recent history of the Company, the experience of each of the Directors receiving Performance Rights under Resolutions 5 and 6 and the responsibilities involved in that office.

#### 5.4 Technical information required by ASX Listing Rules 10.14

As required by ASX Listing Rule 10.14, the following information is provided in relation to Resolutions 5 and 6 in accordance with ASX Listing Rule 10.15:

- (a) The Performance Rights will be issued to the following persons, who are related parties of the Company by virtue of being Directors:
  - (i) Matthew Allen (or his nominee); and
  - (ii) Kevin Small (or his nominee).
- (b) The maximum number of Performance Rights that may be issued is:
  - (i) 8,292,000 Performance Rights to Matthew Allen (or his nominee); and
  - (ii) 5,133,000 Performance Rights to Kevin Small (or his nominee).

The calculation of the maximum number of Performance Rights that may be issued to Directors is set out below.

Director	Fixed Annual Remuneration (FAR)	LTI %	LTI Value <sup>3</sup>	Share Price <sup>1</sup>	Maximum No. of Performance Rights <sup>2</sup>
Matthew Allen (#1)	US\$376,785	50%	\$278,104	\$0.0503	5,528,000
Matthew Allen (#2)		25%	\$139,052	\$0.0503	2,764,000
Matthew Allen Total					8,292,000
Kevin Small	US\$350,000	50%	\$258,226	\$0.0503	5,133,000
<b>Total</b>					<b>13,425,000</b>

**Notes:**

1. The minimum share price used by the Company, for the purposes of calculating the maximum quantity of Performance Rights that may be issued to Directors has been set at \$0.0503 being the 90 day volume weighted average price on 11 October 2019).
2. Rounded down to the nearest 1,000.
3. Assumes a USD:AUD exchange rate of \$A0.6777 (RBA as at 11 October 2019).

The actual number of Performance Rights to be issued will be calculated using the greater of \$0.0503 and the 90 day VWAP up to, but not including the date of grant (expected to be 21 November 2019).



- (c) The Performance Rights will be issued for nil consideration pursuant to the Performance Rights Plan and no consideration will be payable on the vesting of the Performance Rights on achievement of the Performance Condition, accordingly no funds will be raised by the issue of the Performance Rights.
- (d) The Performance Rights Plan was previously adopted by Shareholders on 16 November 2016. Issues of Performance Rights to persons referred to in ASX Listing Rule 10.14 (i.e. a Director, an associate of the Director, or a person whose relationship with the Company, Director or associate of the Director is, in ASX's opinion, such that approval should be obtained) under the Performance Rights Plan were approved by Shareholders on 29 November 2017 and 15 November 2018 and are set out below:

Recipient	Number of Performance Rights	Acquisition price
John Jetter	2,149,000	Nil
Matthew Allen	7,917,000	Nil
Ian Macliver	1,447,000	Nil
Ian Boserio	1,289,000	Nil
Paul Senyia	669,000	Nil

- (e) As at the date of this Notice, John Jetter, Matthew Allen, Ian Macliver, Ian Boserio, Paul Senyia and Kevin Small are the only persons covered by ASX Listing Rule 10.14 that the Board has declared eligible to be issued Performance Rights under the Performance Rights Plan. However in accordance with the terms of the Performance Rights Plan the Board may determine in the future that any other Directors (should there be any) may become eligible to participate in the Performance Rights Plan.
- (f) A voting exclusion statement has been included in this Notice.
- (g) No loans will be made in relation to the issue of Performance Rights.
- (h) The Performance Rights will be issued to Mr Allen and Mr Small no later than 12 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules).

## 5.5 Directors' recommendations

### Resolution 5

All the Directors (except Matthew Allen due to his material personal interest in the outcome of the Resolution, as it relates to the proposed grant of Performance Rights to him individually (or his nominee)) recommend that Shareholders vote in favour of Resolution 5.

The Board (other than Matthew Allen) are not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision regarding the financial benefit the subject of this Resolution or whether it is in the best interests of the Company to pass the Resolution.

### Resolution 6

All the Directors (except Kevin Small due to his material personal interest in the outcome of the Resolution, as it relates to the proposed grant of Performance Rights to him individually (or his nominee)) recommend that Shareholders vote in favour of Resolution 6.

The Board (other than Kevin Small) are not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision regarding the financial

benefit the subject of this Resolution or whether it is in the best interests of the Company to pass the Resolution.

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**6. RESOLUTION 7 – APPROVAL OF 10% PLACEMENT CAPACITY**

**6.1 General**

ASX Listing Rule 7.1A provides that an Eligible Entity (as defined below) may seek shareholder approval by special resolution passed at an annual general meeting to have the capacity to issue up to that number of Equity Securities (as defined below) equal to 10% of its issued capital (**10% Placement Capacity**) without using that company's existing 15% annual placement capacity granted under ASX Listing Rule 7.1.

An Eligible Entity is one that, as at the date of the relevant annual general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

As at the date of this Notice, the Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of \$110.7 million (based on the number of Shares on issue and the closing price of Shares on the ASX on 11 October 2019).

An Equity Security is a share, a unit in a trust, a right to a share or unit in a trust or option, an option over an issued or unissued security, a convertible security, or, any security that ASX decides to classify as an equity security.

Any Equity Securities issued under the 10% Placement Capacity must be in the same class as an existing class of quoted Equity Securities.

As at the date of this Notice, the Company currently has one class of quoted Equity Securities on issue, being the Shares (ASX Code: OEL).

If Shareholders approve Resolution 7, the number of Equity Securities the Company may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2:

**(A x D) – E**

**A** is the number of fully paid ordinary securities on issue 12 months before the issue date or date of agreement to issue:

- (a) plus the number of fully paid ordinary securities issued in the 12 months under an exception in ASX Listing Rule 7.2;
- (b) plus the number of partly paid ordinary securities that became fully paid in the 12 months;
- (c) plus the number of fully paid ordinary securities issued in the 12 months with approval of holders of ordinary securities under ASX Listing Rule 7.1 or 7.4. This does not include an issue of fully paid ordinary securities under the entity's 15% capacity pursuant to ASX Listing Rule 7.1 without the approval of holders of ordinary securities;
- (d) less the number of fully paid ordinary securities cancelled in the 12 months.

**D** is 10%.

- E** is the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the issue date or date of agreement to issue that are *not* issued with the approval of holders of ordinary securities under ASX Listing Rule 7.1 or 7.4.

Resolution 7 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 7 for it to be passed.

## **6.2 Technical information required by ASX Listing Rule 7.1A**

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to this Resolution 7:

### **(a) Minimum price**

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 ASX trading days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

### **(b) Date of issue**

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Meeting and expiring on the first to occur of the following:

- (i) 12 months after the date of this Meeting; and
- (ii) the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking) (after which date, an approval under ASX Listing Rule 7.1A ceases to be valid),

**(10% Placement Capacity Period).**

### **(c) Risk of voting dilution**

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 7 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

As required by ASX Listing Rule 7.3A.2, the table below shows the economic and voting dilution effect in circumstances where the issued capital of the Company has doubled and the market price of the Shares has halved. The table below also shows additional scenarios in which the Company's issued capital has increased (by both 50% and 100%) and the market price of the Shares has:

- (a) decreased by 50%; and
- (b) increased by 100%.

Issued Shares	50% decrease in market price (\$0.022)		Current market price (\$0.045)		100% increase in market price (\$0.090)	
	10% voting dilution (Shares)	Capital raised	10% voting dilution (Shares)	Capital raised	10% voting dilution (Shares)	Capital raised
<b>Present = 2,460,464,725</b>	246,046,472 Shares	\$5,536,046	246,046,472 Shares	\$11,072,091	246,046,472 Shares	\$22,144,183
<b>If 50% increase = 3,690,697,088</b>	369,069,708 Shares	\$8,304,068	369,069,708 Shares	\$16,608,137	369,069,708 Shares	\$33,216,274
<b>If 100% increase = 4,920,929,450</b>	492,092,945 Shares	\$11,072,091	492,092,945 Shares	\$22,144,183	492,092,945 Shares	\$44,288,365

\*The number of Shares on issue (Variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under ASX Listing Rule 7.1.

**The table above uses the following assumptions:**

1. There are currently 2,460,464,725 existing Shares (quoted on ASX) as at 11 October 2019.
2. The issue price is \$0.045 per Share, based on the closing price of the Shares on ASX on 11 October 2019.
3. The table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.
4. The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
5. The Company has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with Shareholder approval under ASX Listing Rule 7.1.
6. The issue of Equity Securities under the 10% Placement Capacity consists only of Shares. It is assumed that no Options are exercised into Shares before the date of issue of the Equity Securities.
7. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
8. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.

Shareholders should note that there is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

**(d) Purpose of issue under 10% Placement Capacity**

The Company may issue Equity Securities under the 10% Placement Capacity for the following purposes:

- (i) as cash consideration in which case the Company intends to use funds raised for the continued exploration, appraisal and/or development expenditure on the Company's current and any new assets, ongoing project administration and general working capital; or

- (ii) as non-cash consideration for the acquisition of new resources assets and investments including previously announced acquisitions, and in such circumstances the Company will provide a valuation of the non-cash consideration as required by listing Rule 7.1A.3.

The Company will comply with the disclosure obligations under ASX Listing Rules 7.1A.4 and 3.10.5A upon the issue of any Equity Securities.

(e) **Allocation policy under the 10% Placement Capacity**

The Company's allocation policy for the issue of Equity Securities under the 10% Placement Capacity will be dependent on the prevailing market conditions at the time of the proposed placement(s).

The recipients of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the recipients of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the recipients at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

- (i) the purpose of the issue;
- (ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

Further, if the Company acquires new resources, assets or investments, it is likely that the recipients under the 10% Placement Capacity may be vendors of the new resources, assets or investments.

(f) **Previous approval under ASX Listing Rule 7.1A**

The Company previously obtained approval from its Shareholders pursuant to ASX Listing Rule 7.1A at its annual general meeting held on 21 November 2018 (**Previous Approval**).

As at the date of the Meeting, the Company will have issued 207,547,170 Equity Securities pursuant to the Previous Approval.

During the 12 month period preceding the date of the Meeting, being on and from 21 November 2018, the Company otherwise issued a total of 382,391,943 Shares and 32,668,000 Performance Rights which together represents approximately 21.9% of the total diluted number of Equity Securities on issue in the Company on 21 November 2018, which was 1,897,552,612.

Further details of the issues of Equity Securities by the Company during the 12 month period preceding the date of the Meeting are set out in Schedule 3.

(g) **Compliance with ASX Listing Rules 7.1A.4 and 3.10.5A**

When the Company issues Equity Securities pursuant to the 10% Placement Capacity, it must give to ASX:

- (i) a list of the recipients of the Equity Securities and the number of Equity Securities issued to each (not for release to the market), in accordance with ASX Listing Rule 7.1A.4; and
- (ii) the information required by ASX Listing Rule 3.10.5A for release to the market.

**6.3 Voting exclusion**

A voting exclusion statement is included in this Notice. As at the date of this Notice, there are no outstanding invitations to any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 7.

**6.4 Directors' recommendation**

The Directors recommend that Shareholders vote in favour of Resolution 7 as it provides the Company with flexibility to issue further securities representing up to 10% of the Company's Share capital during the next 12 months.

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## GLOSSARY

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**10% Placement Capacity** has the meaning given in section 7.1 of the Explanatory Statement.

**\$** means Australian dollars.

**AEDT** means Australian Eastern Daylight Savings Time as observed in Sydney, New South Wales.

**Annual General Meeting** or **Meeting** means the meeting convened by the Notice.

**ASIC** means the Australian Securities & Investments Commission.

**ASX** means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

**ASX Listing Rules** means the listing rules of ASX.

**Board** means the current board of Directors.

**Chair** means the chair of the Meeting.

**Closely Related Party** of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporations Regulations 2001* (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

**Company** means Otto Energy Limited (ACN 107 555 046).

**Constitution** means the Company's constitution.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Directors** means the current directors of the Company.

**Eligible Entity** means an entity that, at the date of the relevant general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

**Equity Securities** includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

**Explanatory Statement** means the explanatory statement accompanying the Notice.

**Key Management Personnel** has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

**Notice** or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

**Option** means an option to acquire a Share.

**Option Plan** means the employee incentive scheme titled “Otto Energy Limited Employee Share Option Plan” the subject of Resolution 4 as summarised in Schedule 2.

**Optionholder** means a holder of an Option.

**Ordinary Securities** has the meaning set out in the ASX Listing Rules.

**Performance Rights** means performance rights issued under the Performance Rights Plan.

**Performance Rights Plan** means the employee incentive scheme titled “Otto Energy Limited Performance Rights Plan” the subject of Resolution 3 as summarised in Schedule 1.

**Proxy Form** means the proxy form accompanying the Notice.

**Remuneration Report** means the remuneration report set out in the Director’s report section of the Company’s annual financial report for the year ended 30 June 2019.

**Resolutions** means the resolutions set out in the Notice, or any one of them, as the context requires.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a registered holder of a Share.

**WST** means Western Standard Time as observed in Perth, Western Australia.



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**SCHEDULE 1 – TERMS AND CONDITIONS OF PERFORMANCE RIGHTS PLAN**

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A summary of the key terms of the Performance Rights Plan is set out below:

(a) **Eligibility**

Participants in the Performance Rights Plan will be persons that are:

- (i) “eligible participants” (as that term is defined in ASIC Class Order CO 14/1000) in relation to the Company or an associated body corporate; and
- (ii) have been determined or selected by the Board to be eligible to participate in the Performance Rights Plan from time to time,

(each an **Eligible Person**).

(b) **Offers to participate**

An offer to Eligible Persons to participate in the Performance Rights Plan (**Offer**) must set out:

- (i) the date of the Offer;
- (ii) the name of the Eligible Person to whom the Offer is made;
- (iii) the number of Performance Rights which are capable of vesting (resulting in the issue of Shares) if specific performance conditions are met;
- (iv) the performance conditions and performance period in relation to the Performance Rights;
- (v) the approximate date or dates on which the performance conditions are to be measured (in respect of the Performance Rights) in order to determine whether the Eligible Person will be issued with Shares;
- (vi) the expiry date;
- (vii) whether any restrictions on transfer will be imposed by the Board on some or all of the Shares issued or transferred to the participant under the Performance Rights Plan; and
- (viii) the time period in which the Eligible Person may accept the Offer.

(c) **Participation**

The Board retains complete discretion to make offers of Performance Rights to any Eligible Person.

(d) **Nominee**

An Eligible Person may nominate a person to whom the Eligible Person wishes to be granted all the Performance Rights as specified in the Offer. The Board may, in its absolute discretion, resolve not to allow the grant of the Performance Rights to the nominee.

(e) **Nature of Performance Rights**

A Performance Right is a right to receive a Share on the terms set out in the Performance Rights Plan subject to satisfaction of the applicable performance conditions over the relevant

performance period. The performance period, performance conditions and dates for measuring the performance conditions may be determined by the Board from time to time, and will be set out in the Offer to the Eligible Person. None of the Performance Rights will be listed for quotation on any stock exchange.

(f) **Vesting**

Performance Rights may vest in the following ways:

- (i) if the applicable performance conditions in relation to a performance period are met as at the relevant measurement date as set out in the Offer, the Board will determine the number of Performance Rights which will become vested Performance Rights; and
- (ii) in the event a takeover bid for the Company is declared unconditional, there is a change in control event (being an event where a shareholder or a group of associated shareholders gain the ability to control more than 50% of the voting power in the Company, or become entitled to sufficient Shares to give it or them the ability in general meeting to replace all or a majority of the Board), or if a merger by way of scheme of arrangement has been approved by a court.

(g) **Cessation of employment**

Unless otherwise determined by the Board:

- (i) if an Eligible Person ceases to be an Eligible Person because of retirement, redundancy, death or total and permanent disablement, the Board will determine the extent to which unvested Performance Rights held by the Eligible Person will vest and by what date they must be exercised. Unvested Performance Rights that do not vest will automatically lapse;
- (ii) if an Eligible Person ceases to be an Eligible Person for any reason other than retirement, redundancy, death or total and permanent disablement, any unvested Performance Rights will automatically lapse;
- (iii) if an Eligible Person ceases to be an Eligible Person because of retirement, redundancy, death or total and permanent disablement, any vested Performance Rights held by the Eligible Person (or their permitted nominee) will continue to be able to be exercised at any time prior to the expiry date; and
- (iv) if an Eligible Person ceases to be an Eligible Person for any reason other than retirement, redundancy, death or total and permanent disablement, vested Performance Rights may be exercised within 1 month or such longer period as the Board may determine. Vested Performance Rights that are not exercised within this period will automatically lapse.

(h) **Lapse of Performance Rights**

Unless otherwise determined by the Board, a Performance Right lapses on the earlier of:

- (i) where performance conditions have not been satisfied on the measurement date and the Board determines that the Performance Right lapses, the date of the determination;
- (ii) if an Eligible Person ceases to be an Eligible Person because of retirement, redundancy, death or total and permanent disablement, the date of lapse referred to in paragraph (g) above;

- (iii) if an Eligible Person ceases to be an Eligible Person for any reason other than retirement, redundancy, death or total and permanent disablement, the date of lapse referred to in paragraph (g) above;
- (iv) if the opinion of the Board the Eligible Person (or their permitted nominee) acts fraudulently or dishonestly or is in material breach of his or her obligations to any group company and the Board in its absolute discretion determines that the Eligible Person's Performance Rights will lapse, the date of the determination;
- (v) if an Eligible Person has not exercised Performance Rights which have vested because of a takeover, change in control event or scheme of arrangement by the time specified by the Board, that date; and
- (vi) the expiry date.

(i) **Restriction on transfer of Performance Rights**

Except on the death on an Eligible Person (or their permitted nominee), Performance Rights may not be transferred, assigned or novated except with the approval of the Board.

(j) **Exercise of Performance Rights**

A Performance Right can only be exercised before the expiry date and if, at the time of exercise, it is a vested Performance Right that has not lapsed. Unless otherwise provided in the Offer, no amount shall be payable by an Eligible Person or their permitted nominee (as applicable) on the exercise of Performance Rights.

(k) **Shares**

All Shares issued or transferred to an Eligible Person or their permitted nominee (as applicable) under the Performance Rights Plan, will, from the date of issue or transfer, rank equally with all other issued Shares. The Company will apply for official quotation of these Shares on each stock exchange on which Shares are quoted.

(l) **Issue limitations**

The Company must have reasonable grounds to believe, when making an Offer, that the number of Shares to be received on exercise of Performance Rights offered under an Offer, when aggregated with the number of Shares issued or that may be issued as a result of offers made in reliance on ASIC Class Order CO 14/1000 at any time during the previous 3 year period under an employee incentive scheme covered by ASIC Class Order CO 14/1000 or an ASIC exempt arrangement of a similar kind to an employee incentive scheme, will not exceed 5% of the total number of Shares on issue at the date of the Offer.

(m) **New issues**

A Performance Right does not confer on an Eligible Person or their permitted nominee (as applicable) the right to participate in new issues of Shares by the Company, including by way of bonus issue, rights issue or otherwise.

(n) **Dividend and voting rights**

Performance Rights will not give any right to participate in dividends or any voting rights until Shares are issued or transferred to a Participant pursuant to the exercise of vested Performance Rights.

(o) **Reorganisation of capital**

In the event of any reorganisation of the issued capital of the Company, the number of Performance Rights to which each Eligible Person is entitled or the exercise price of his or her Performance Rights or both will be reorganised in accordance with the provisions of the ASX Listing Rules.

(p) **Amendment of Performance Rights Plan**

Subject to the ASX Listing Rules, the Board retains the discretion to amend the rules of the Performance Rights Plan or to terminate it at any time.

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**SCHEDULE 2 – TERMS AND CONDITIONS OF OPTION PLAN**


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A summary of the key terms of the Option Plan is set out below:

(a) **Eligibility**

Participants in the Option Plan will be persons that are:

- (i) “eligible participants” (as that term is defined in ASIC Class Order CO 14/1000) in relation to the Company or an associated body corporate; and
- (ii) have been determined or selected by the Board to be eligible to participate in the Option Plan from time to time,

(each an **Eligible Person**).

(b) **Offers to participate**

Subject to the Option Plan rules and to the ASX Listing Rules, the Company may offer Options to any Eligible Person at such times and on such terms as the Board considers appropriate (**Offer**). Each Offer must state:

- (i) the name and address of the Eligible Person to whom the Offer is made;
- (ii) the number of Options offered;
- (iii) that the Eligible Person to whom the Offer is addressed may accept the whole or any lesser number of Options offered;
- (iv) the minimum number of Options and any multiple of such minimum or any other number which may be accepted;
- (v) the period within which the Offer may be accepted, and the period or periods during which the Options or any of them may be exercised and the expiry date (which must be no longer than 5 years from the date of grant);
- (vi) any exercise conditions;
- (vii) the exercise price of each Option or where the exercise price is determinable at some time in the future by reference to a formula, the equivalent price were that formula applied as at the date of the Offer;
- (viii) the method of calculation of the exercise price of each Option, which will be determined by the Board with regard to:
  - (A) the weighted average closing sale price of the Shares recorded on ASX over the 5 trading days immediately preceding the day on which the Board resolves to offer an Option under the Plan; or
  - (B) in circumstances where there has been no trading in the Shares during the period specified in paragraph (A) above, the last sale price of Shares recorded on ASX;
- (ix) an undertaking and an explanation of the way in which the Company will make available to the Eligible Person the current market price of the Shares underlying the Option or any information relevant to calculating the exercise price referred to in paragraph (vii) above, if referenced to a formula; and
- (x) any other matters which the Board may determine.

(c) **Nominee**

An Eligible Person may nominate a nominee in whose favour the Eligible Person wishes to renounce the Offer by notice in writing to the Board. The Board may, in its absolute discretion, resolve not to allow such renunciation of an Offer in favour of a nominee.

(d) **Consideration**

No consideration is payable by an Eligible Person for a grant of an Option, unless the Board decides otherwise.

(e) **Exercise of Options**

- (i) Subject to satisfaction (or waiver by the Board) of any exercise conditions, an Option may be exercised at any time during the period commencing on the grant date and ending on the expiry date.
- (ii) Despite any restrictions in transfer of Options, Eligible Persons (or their permitted nominee) are entitled to exercise all Options:
  - (A) during a bid period in relation to a takeover bid for the Company;
  - (B) at any time after a shareholder, or a group of associated shareholders, becoming entitled to sufficient Shares in the Company to give it or them the ability, and that ability is successfully exercised, in general meeting, to replace all or a majority of the Board; or
  - (C) if a court orders a meeting to be held concerning a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company.

(f) **Not transferable**

Other than on the death of the Optionholder, Options are not transferable unless the Board in its absolute discretion approves the transfer.

(g) **Lapse of Options**

- (i) Options not validly exercised on or before the expiry date will automatically lapse.
- (ii) Unless otherwise determined by the Board:
  - (A) if, prior to the satisfaction of any applicable exercise conditions:
    - (I) an Eligible Person ceases to be an Eligible Person because of retirement, redundancy, death or total and permanent disablement, the Options may be exercised within 3 months or such longer period as the Board may determine, subject to the Board in its absolute discretion, reducing, waiving or varying the exercise conditions applying to those Options so that those Options may be exercised. Options that are not exercised within this period will automatically lapse;
    - (II) an Eligible Person ceases to be an Eligible Person for any reason other than retirement, redundancy, death or total and permanent disablement, any such Options will automatically lapse;

(B) if, any time after an Option becomes exercisable:

- (I) an Eligible Person ceases to be an Eligible Person because of retirement, redundancy, death or total and permanent disablement, any such Options held by the Eligible Person (or their permitted nominee) will continue to be able to be exercised at any time prior to the expiry date; and
- (II) an Eligible Person ceases to be an Eligible Person for any reason other than retirement, redundancy, death or total and permanent disablement, the Options may be exercised within 1 month or such longer period as the Board may determine. Options that are not exercised within this period will automatically lapse.

(h) **Shares**

Each Option entitles the Optionholder to subscribe for 1 Share. Upon exercise, the Company shall allot the Shares and deliver Share certificates to the Optionholder within 10 business days of the exercise of the Option. Shares allotted upon exercise of Options will rank pari passu in all respects with Shares previously issued.

(i) **Quotation**

The Company will not apply for official quotation of any Options. If Shares of the same class as those allotted pursuant to the exercise of Options granted under the Option Plan are listed on the ASX, the Company must apply for official quotation of those Shares allotted pursuant to the exercise of Options within the time required by the ASX Listing Rules after the date of allotment.

(j) **Issue limitations**

The Company must have reasonable grounds to believe, when making an Offer, that the number of Shares to be received on exercise of Options offered under an Offer, when aggregated with the number of Shares issued or that may be issued as a result of offers made in reliance on ASIC Class Order CO 14/1000 at any time during the previous 3 year period under an employee incentive scheme covered by ASIC Class Order CO 14/1000 or an ASIC exempt arrangement of a similar kind to an employee incentive scheme, will not exceed 5% of the total number of Shares on issue at the date of the Offer.

(k) **New Issues**

- (i) Optionholders will not be entitled to participate in new issued of capital offered to Shareholders during the currency of the Options. However, the Company will give, in accordance with the ASX Listing Rules, notice of any new issue of securities before the record date for determining entitlements to the new issue, to allow Optionholders an opportunity to exercise their Options prior to the record date.
- (ii) If there is a bonus issue (**Bonus Issue**) to Shareholders, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the Optionholder would have received if the Option had been exercised before the record date for the Bonus Issue.
- (iii) If there is a pro rata issue (other than a Bonus Issue) to Shareholders during the currency of, and prior to the exercise of any Options, the exercise price of an Option will be reduced according to the formula provided for in the ASX Listing Rules.

(l) **Reorganisation of capital**

If there is a reorganisation of the issued capital of the Company, then the rights of an Eligible Person (or their permitted nominee), including the number of Options to which each Eligible Person (or their permitted nominee) is entitled and the exercise price, is changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

(m) **Amendment of the Option Plan**

Subject to certain exceptions, the Board may alter, delete or add to the Option Plan at any time.



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**SCHEDULE 3 – ISSUES OF EQUITY SECURITIES SINCE 21 NOVEMBER 2018**


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<b>Date</b>	<b>Quantity</b>	<b>Class</b>	<b>Recipients</b>	<b>Issue price and discount to Market Price (if applicable)<sup>4</sup></b>	<b>Form of consideration</b>
<b>Issue Date –</b> 21 December 2018  <b>Appendix 3B Date –</b> 21 December 2018	4,729,000	Shares <sup>4</sup>	Holders of vested Performance Rights.	No issue price (non-cash consideration).	Consideration: Issued on conversion of vested Performance Rights, which were issued as an incentive component of the remuneration package to selected participants in the Company's Performance Rights Plan.  Current value <sup>1</sup> = \$212,805
<b>Issue Date –</b> 21 December 2018  <b>Appendix 3B Date –</b> 21 December 2018	23,789,000	Performance Rights <sup>2</sup> – LTI	Participants in the Company's Performance Rights Plan (including Directors)	No issue price (non-cash consideration).	Consideration: Issued as an incentive component of the remuneration package of selected participants in the Company's Performance Rights Plan.  Shares issued on vesting of performance rights will be issued for nil consideration.
<b>Issue Date –</b> 21 December 2018  <b>Appendix 3B Date –</b> 21 December 2018	8,879,000	Performance Rights <sup>2</sup> – Sign On	New US staff members upon commencement of employment.	No issue price (non-cash consideration).	Consideration: Issued as an incentive component of the remuneration package of selected employees.  Shares issued on vesting of performance rights will be issued for nil consideration.
<b>Issue Date –</b> 25 February 2019  <b>Appendix 3B Date –</b> 25 February 2019	10,000	Shares <sup>4</sup>	Holder of vested Performance Rights.	No issue price (non-cash consideration).	Consideration: Issued on conversion of vested Performance Rights, which were issued as an incentive component of the remuneration package to selected participants in the Company's Performance Rights Plan.  Current value <sup>1</sup> = \$450

Date	Quantity	Class	Recipients	Issue price and discount to Market Price (if applicable) <sup>4</sup>	Form of consideration
<b>Issue date -</b> - 9 April 2019  <b>Appendix 3B – 9 April 2019</b>	207,547,170	Shares <sup>4</sup>	Subscribers to the Institutional Placement announced by the Company on 29 March 2019	\$0.053  This was a 7.0% discount to the Market Price on 8 April 2019.	Amount raised: \$11,000,000  Amount spent: \$11,000,000  Use of funds: funds applied to redemption of convertible notes, drilling the Bulleit appraisal well in the Green Canyon 21 lease in the Gulf of Mexico and working capital.
<b>Issue date -</b> - 9 April 2019  <b>Appendix 3B – 9 April 2019</b>	143,209,722	Shares <sup>4</sup>	Subscribers to the Institutional Entitlement Offer announced by the Company on 29 March 2019.	\$0.053  This was a 7.0% discount to the Market Price on 8 April 2019.	Amount raised: \$7,590,115  Amount spent: \$7,590,115  Use of funds: funds applied to redemption of convertible notes, drilling the Bulleit appraisal well in the Green Canyon 21 lease in the Gulf of Mexico and working capital.
<b>Issue date –</b> 1 May 2019  <b>Appendix 3B – 30 April 2019</b>	231,844,010	Shares <sup>4</sup>	Subscribers to the Retail Entitlement Offer announced by the Company on 29 March 2019.	\$0.053  This was a 7.0% discount to the Market Price on 30 April 2019.	Amount raised: \$12,287,732  Amount spent: \$12,287,732  Use of funds: funds applied to redemption of convertible notes, drilling the Bulleit appraisal well in the Green Canyon 21 lease in the Gulf of Mexico and working capital.
<b>Issue date -</b> - 30 April 2019  <b>Appendix 3B – 30 April 2019</b>	2,599,211	Shares <sup>4</sup>	John Jetter	Deemed issue price of \$0.05418 per Share being the conversion rate under the terms of the Convertible Notes.	Consideration: Issued on conversion of 100,000 Convertible Notes with a face value of US\$100,000 using the RBA USD:AUD exchange rate of 0.7101.  Current value <sup>1</sup> = \$116,964

**Notes:**

1. In respect of quoted Equity Securities the value is based on the closing price of the Shares (\$0.045) on the ASX on 11 October 2019.
2. Performance Rights expiring on 15 November 2023, subject to various vesting conditions, which were issued in accordance with the terms of the Company's Performance Rights Plan.
3. Market Price means the closing price on ASX (excluding special crossings, overnight sales and exchange traded option exercises). For the purposes of this table the discount is calculated on the Market Price on the last trading day on which a sale was recorded prior to the date of issue of the relevant Equity Securities.
4. Fully paid ordinary shares in the capital of the Company, ASX Code: OEL (terms are set out in the Constitution).

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## LODGE YOUR VOTE



### ONLINE

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)


### BY MAIL

Otto Energy Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia



### BY FAX

+61 2 9287 0309



### BY HAND

Link Market Services Limited  
1A Homebush Bay Drive, Rhodes NSW 2138



### ALL ENQUIRIES TO

Telephone: 1300 554 474

Overseas: +61 1300 554 474



X99999999999

## PROXY FORM

I/We being a member(s) of Otto Energy Limited and entitled to attend and vote hereby appoint:

### APPOINT A PROXY

☐ the Chairman of the Meeting (mark box)

**OR** if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **10:00am (AEDT) on Thursday, 21 November 2019 at the Executive Centre, Level 26, 1 Bligh St, Sydney NSW 2000** (the **Meeting**) and at any postponement or adjournment of the Meeting.

**Important for Resolutions 1, 3 - 6 :** If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolutions 1, 3 - 6, even though the Resolutions are connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (**KMP**).

**The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.**

### VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

#### Resolutions

1 Adoption of Remuneration Report

For Against Abstain\*

☐ ☐ ☐

2 Election of Director who was Appointed by Other Directors – Kevin Small

☐ ☐ ☐

3 Re-adoption of the Performance Rights Plan

☐ ☐ ☐

4 Re-adoption of the Option Plan

☐ ☐ ☐

5 Approval of the Issue of Performance Rights to Matthew Allen (and Exception to 15% Cap)

For Against Abstain\*

☐ ☐ ☐

6 Approval of the Issue of Performance Rights to Kevin Small (and Exception to 15% Cap)

☐ ☐ ☐

7 Approval of 10% Placement Capacity

☐ ☐ ☐


\* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

### SIGNATURE OF SECURITYHOLDERS – THIS MUST BE COMPLETED

Securityholder 1 (Individual)

Joint Securityholder 2 (Individual)

Joint Securityholder 3 (Individual)




Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the securityholder. If a joint holding, either securityholder may sign. If signed by the securityholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

## HOW TO COMPLETE THIS SECURITYHOLDER PROXY FORM

### YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's security register. If this information is incorrect, please make the correction on the form. Securityholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your securities using this form.**

### APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a securityholder of the Company.

### DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's security registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

### SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, either securityholder may sign.

**Power of Attorney:** to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" must be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's security registry or online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

### LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:00am (AEDT) on Tuesday, 19 November 2019**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



#### ONLINE

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, securityholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).



#### BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) into your mobile device. Log in using the Holder Identifier and postcode for your securityholding.

#### QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



#### BY MAIL

Otto Energy Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia



#### BY FAX

+61 2 9287 0309



#### BY HAND

delivering it to Link Market Services Limited\*  
1A Homebush Bay Drive  
Rhodes NSW 2138

\* During business hours (Monday to Friday, 9:00am–5:00pm)



### COMMUNICATION PREFERENCE

We encourage you to receive all your shareholder communication via email. This communication method allows us to keep you informed without delay, is environmentally friendly and reduces print and mail costs.



#### ONLINE

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Communications' and click the first button to receive all communications electronically and enter your email address. To use the online facility, securityholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.  
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**