ASX ANNOUNCEMENT
17 February 2020

LETTER TO SHAREHOLDERS

As a shareholder and long-term supporter of Otto Energy Ltd, I would like to take the opportunity to update all of Otto's loyal and supportive shareholders on the successful business growth that has been executed to date by the team, the plans for utilising future cashflows that will be delivered and address concerns over the recent share price performance.

- **2020 will see Otto delivering on its Gulf of Mexico business plan**
- **Focus during 2020 will be the completion of key development activities which will see a significant increase in the Company's production profile**
- **Significant increase in free cashflow to be delivered in 2021 through project commissioning and resultant production**
- **Otto's focus on maintaining a strong balance sheet with sufficient liquidity for all existing development activities during 2020 with the majority of our PDP production through 2022 hedged at an average of $56 USD per barrel**
- **Future cashflow utilization will focus on maximizing shareholder value. This may include new growth initiatives and/or capital returns to shareholders, as appropriate**

Established business model in place

It is my pleasure to provide an update to shareholders on the delivery of Otto's strategy of building an exploration and production business focused on the Gulf of Mexico. After a successful 2019, it is appropriate to take stock of the developments that have occurred and what the forthcoming period is expected to deliver for Otto and its shareholders.

Otto set about its strategy of building a presence in the Gulf of Mexico in 2016 and has since that time ***delivered three independent discoveries that will all be on production during 2020***. Otto identified an opportunity to become the non-operating partner of choice in one of the highest margin oil and gas provinces in the world and to pursue this strategy at a time of limited capital availability within the industry.

The building blocks for Otto's Gulf of Mexico business are now in place with the anticipated completion of key developments during 2020 including the commissioning of the Green Canyon 21 development, further development of the Lightning field and the expected drilling of the South Marsh Island 71 F5 development well.

The strategic goal against which Otto set out to measure its performance was to deliver 5,000 boe/day of production net to Otto, by the end of 2020. The ***successful commissioning of our three discoveries will deliver this goal in 2020***.

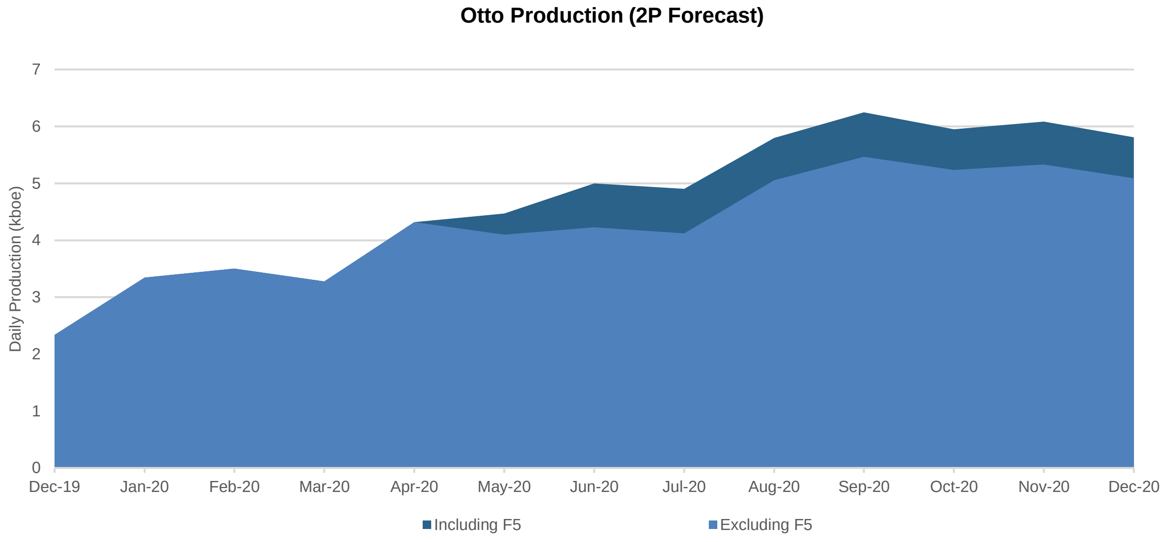

Figure 1: 2020 Production Forecast

Otto's strategic goal is underpinned by a detailed implementation plan that encompasses the following key attributes:

- Having multiple, liquid rich projects to diversify Otto's revenue base;
- Establishing Otto as a non-operator partner of choice with access to a deep pool of drill ready production and farm-in opportunities;
- Building a highly experienced, well networked and capably resourced team in Houston; and
- Accelerating the business build phase by participating in drill-ready opportunities that benefit from the team's prior experiences in working in the Gulf of Mexico.

Otto has established a long-term viable business and proven the non-operator business model in the Gulf of Mexico with a ***reserve base of ~70% oil weighted assets*** (2P reserves as at 1 July 2019) that will deliver significant free cashflow in calendar year 2021.

Otto is now recognized for its ability to perform as a non-operator partner with many of the established independent oil and gas companies operating in the Gulf of Mexico and is being invited into numerous new opportunities. These range from drilling of low-risk production infill wells to greenfield exploration opportunities. Otto is ***one of a small group of non-operating companies with access to this level of opportunity***.

With the cashflow from the projects currently on production and the recently announced US$55 million debt facility with Macquarie Bank, ***Otto's balance sheet will remain strong through the development phase***. Otto has taken a prudent approach to managing oil price risk during the important development phase. The company will ensure that there is enough balance sheet flexibility to deal with unexpected events during the final critical phases of these developments.

Otto established a hedging program as part of its facility with Macquarie which saw the business successfully hedge the majority of its PDP production through until 2022 at around USD$56 per barrel, allowing the business to operate with some protection from oil price fluctuations whilst maintaining flexibility for new discoveries.

Otto has achieved cost reductions through a constant focus on cost management including relocating the head office into Houston over the past year that will continue into the next financial year. Over the two-year period to 30 June 2021, Otto expects to deliver a reduction in G&A costs of US$1.8m or 28%.

Anticipated future use of cashflows

By the end of Q3 2020 with all current developments successfully completed, ***Otto expects to be one of only a handful of ASX listed oil and gas companies that are generating significant operating free cashflow***. Otto will have the ability to consider the most efficient allocation of capital amongst the following priorities:

- Acceleration of debt reduction;
- Buy-back or dividends to equity holders; and/or
- Reinvestment into value accretive production and exploration assets.

Figure 2: Future cashflow projection of Otto Energy Ltd (as at 1 February 2020)

Share Price Performance

The Board and management of Otto are shareholders of the company. Shareholder interests are at the core of every step that has been made in developing the business in the Gulf of Mexico.

As CEO, I am fortunate to work with a top-notch Board and management team that all have significant experience in not only the oil and gas business, but also in ***building profitable companies and realizing value from them for their shareholders***.

We intend to continue doing the same with Otto Energy.

Following the issue of independent reserve and resource statements in late 2019, Otto can now quantify the value of the reserve base that the company has discovered and has in production. This equates to over A$300 million in net present value at a 10% discount rate (NPV10). These values have been independently audited by Otto's reserve auditors and validated through a financing process with Macquarie Bank.

We intend to deliver the value of these assets to Otto's shareholders either through growth in the share price or a combination of buy-back/dividend repatriation strategies.

As a production and exploration company, ***Otto constantly evaluates the most efficient use of limited capital***. Investment decisions are based on the most value accretive outcome to shareholders.

During 2019 and into early 2020, Otto's share price performance has been affected by a number of shareholders exiting over concerns of delays in key activities, uncertainties on future funding requirements or uncertainty over the future strategy of the business.

We realize the priorities and timelines of some investors are not aligned with the business outcomes being sought, however we believe that ***the strategy Otto has been following will deliver significant shareholder benefits during 2020 as the key developments start to come into production***. Otto will be amongst a handful of ASX listed oil and gas companies that have value accretive production and cashflow and a long-term viable business model.

Lightning Field Operations Update

We are also pleased to report that the operator of our Lightning Field in Matagorda County, TX, Hilcorp Energy, has successfully completed the Green #2 well in the Tex Miss 1 interval with 66 feet of perforations out of a total of 146 feet of calculated net pay. A brief 48 hour well test was conducted to confirm completion integrity and clean the well up. The well flowed on a constrained choke setting at a maximum rate of 5.9 MMscf/day of gas and approximately 170 bbl/day of condensate and little water. Production at Green #2 on an unconstrained basis is expected to match the initial performance on Green #1.

Construction of upgraded facility and flowlines was completed in early February and the capacity of the sales tap has been increased to approximately 36 MMscf/day.

First production from the Green #2 well into the sales pipeline is expected to occur before the end of February 2020, on track with previous guidance. Otto will provide an update with stabilized production rates once online. It is planned to now run both wells, the Green #1 and the #2, and evaluate the potential for further wells to be added to the field.

Summary

2020 is going to be a year where Otto continues to build upon the foundations that have been established in 2019 by bringing into production the key discoveries that have already been made.

Otto will retain a strong balance sheet with sufficient liquidity for its 2020 program to be able to deliver these key development projects. Cost focus is being maintained across the company.

Otto has access to a deep inventory of drill-ready opportunities in the Gulf of Mexico focus area and will evaluate the allocation of capital that delivers the greatest value to shareholders.

Otto is actively evaluating the implementation of buy-back and/or dividend programs in late 2020 and will consider the implementation of these once the development program is completed.

Otto is one of only a handful of ASX listed oil and gas production and exploration companies that is cashflow positive with further growth opportunities that can be fully within its cashflow base.

The Otto Board and management look forward to sharing the results of this highly value accretive program throughout 2020 to shareholders and sharing in the positive impact we expect this to have on Otto's share price.

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TOP 20 SHAREHOLDERS AS AT 14 FEBRUARY 2020

Rank	Name	Current Units	% of Units	Prior Quarter Units	Movement
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	410,133,418	16.67%	395,808,571	14,324,847
2	NATIONAL NOMINEES LIMITED	173,416,707	7.05%	194,308,586	(20,891,879)
3	CITICORP NOMINEES PTY LIMITED	119,275,149	4.85%	204,518,906	(85,243,757)
4	BNP PARIBAS NOMS PTY LTD ←DRP→	117,422,118	4.77%	98,599,392	18,822,726
5	BNP PARIBAS NOMINEES PTY LTD ←AGENCY LENDING DRP A/C→	114,576,632	4.66%	103,432,282	11,144,350
6	BNP PARIBAS NOMINEES PTY LTD ←IB AU NOMS RETAILCLIENT DRP→	95,513,652	3.88%	87,574,652	7,939,000
7	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	83,055,202	3.38%	82,555,202	500,000
8	CS THIRD NOMINEES PTY LIMITED ←HSBC CUST NOM AU LTD 13 A/C→	33,235,640	1.35%	53,086	33,182,554
9	AMP LIFE LIMITED	30,027,161	1.22%	31,249,508	(1,222,347)
10	MR JAMIE PHEROUS ←BLACK DUCK HOLDINGS A/C→	20,000,000	0.81%	20,000,000	-
11	BLACK GOLD NOMINEES PTY LTD ←DAVID BEVERLEY FAMILY A/C→	20,500,000	0.83%	14,250,000	6,250,000
12	NERO RESOURCE FUND PTY LTD NERO RESOURCE FUND	19,049,153	0.77%	19,049,153	-
13	MR WILLIAM GEORGE WILLIAMS	15,465,905	0.63%	14,715,905	750,000
14	NATIONAL NOMINEES LIMITED ←DB A/C→	15,194,064	0.62%	15,194,064	-
15	MR JOHN PHILIP DANIELS	13,950,000	0.57%	13,150,000	800,000
16	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD ←CLIENT ACCOUNT→	13,520,833	0.55%	13,520,833	-
17	NEWECONOMY COM AU NOMINEES PTY LIMITED ←900 ACCOUNT→	12,039,996	0.49%	-	12,039,996
18	MR MATTHEW GERARD ALLEN	10,770,801	0.44%	10,770,801	-
19	MR THOMAS FRITZ ENSMANN	10,000,000	0.41%	10,000,000	-
20	MR DANIEL LEE	9,500,000	0.39%	9,500,000	-
Total Top 20 Shareholders		**1,336,646,431**	**54.34%**	**1,338,250,941**	**- 1,604,510**
Total Remaining Shareholders		1,123,818,294	45.68%	1,122,213,784	
Total Shares on Issue		**2,460,464,725**	**100.0%**	**2,460,464,725**	

SUBSTANTIAL HOLDERS AS AT 14 FEBRUARY 2020

Name	Current Units	% of Units	Last Notice
Perennial Value Management	365,310,079	14.85%	10-Oct-19
Molton Holdings Limited	305,859,697	12.43%	10-Apr-19
AMP Limited	123,148,146	5.01%	02-Jul-19

DIRECTOR HOLDINGS AS AT 14 FEBRUARY 2020

Name	Current Units	% of Units	Last Notice
John Jetter	28,940,834	1.18%	02-May-19
Matthew Allen	10,770,801	0.44%	02-May-19
Ian Boserio	3,612,763	0.15%	02-May-19
Kevin Small	12,371,515	0.50%	02-May-19
Paul Senycia	4,711,468	0.19%	21-Jan-18

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Future performance and forward-looking statements

This CEO Letter to Shareholders may contain certain 'forward-looking statements' with respect to the financial condition, results of operations and business of the Company and certain plans and objectives of the management of the Company. Forward looking statements can generally be identified by words such as ‘may’, ‘could’, ‘believes’, 'plan', 'will', 'likely', ‘estimates’, ‘targets’, ‘expects’, or ‘intends’ and other similar words that involve risks and uncertainties, which may include, but are not limited to, the outcome and effects of the subject matter of this CEO Letter to Shareholders. Indications of, and guidance on, future exchange rates, capital expenditure, earnings and financial position and performance are also forward-looking statements.

You are cautioned not to place undue reliance on forward looking statements as actual outcomes may differ materially from forward looking statements. Any forward-looking statements, opinions and estimates provided in this CEO Letter to Shareholders necessarily involve uncertainties, assumptions, contingencies and other factors, and unknown risks may arise, many of which are outside the control of the Company. Such statements may cause the actual results or performance of the Company to be materially different from any future results or performance expressed or implied by such forward looking statements. Forward-looking statements including, without limitation, guidance on future plans, are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Such forward looking statements speak only as of the date of this CEO Letter to Shareholders.

Past performance

Investors should note that past performance, including past share price performance of Otto is given for illustrative purposes only and cannot be relied upon as an indicator of (and provides no guidance as to) future Otto performance including future share price performance.

Key Risks Disclosures

Impairment of carrying value of properties

Otto may be required to write-down the carrying value of its oil and gas properties when oil and gas prices are low. Under International Financial Reporting Standards, which Otto is required to comply with, the net capitalized costs of its oil and gas properties may not exceed the fair value of the properties. If net capitalized costs of its oil and gas properties exceed the fair value, Otto must charge the amount of the excess as an impairment to earnings. This type of charge will not affect Otto's cash flows, but will reduce the book value of its Shareholders' equity. Because the oil price Otto uses to estimate future net cash flows is a forecast, actual cash flows and carrying value may materially differ. Otto reviews the carrying value of its properties whenever impairment indicators exist and once incurred, a write-down of oil and gas properties may be reversible at a later date if prices increase.

Information risk

Otto's analysis of its portfolio, including estimates of the associated prospective resources, is based in part on information provided by the operators of those joint ventures. For each of SM 71, Lightning and GC21, independent engineers have provided a report regarding the estimates of prospective resources.

Risk that expense estimates differ materially from actual amounts

The prospective resources and future potential cash flow estimates with respect Otto’s portfolio are based on Otto's analysis of geological and geophysical data, assumptions regarding drilling, development and other capital and operating expenditures (including transport and pipelines) and anticipated production rates.

For each of SM 71, Lightning and GC21, the estimates included in this document have been made by an independent petroleum engineering firm. Data used to make these estimates was furnished by the operators of the various joint ventures or obtained from publicly available sources. After such data is reviewed by an independent petroleum engineering firm, or further by Otto, the prospective resources, expenditure and production related to the various projects may differ materially from the amounts indicated.

Funding risk

The Company may require additional capital in order to fund development activities or for additional acquisitions. Failure to obtain such finance in a timely manner could impact its ability to execute its work program or secure acquisition opportunities. There is no assurance that the capital or debt markets will provide additional funding on reasonable terms or at all. Uncertainty in domestic and international credit markets could materially affect the Company's ability to access sufficient capital for its capital expenditures and acquisitions and, as a result, may have material adverse effect on the Company's ability to execute its business strategy and on its business, financial condition, results of operations and prospects. The possibility of material dilution for Shareholders also exists especially if equity raisings are completed during a period of general market or Company share price weakness.

Failure to achieve production targets

The funding of the future drilling of the Gulf Coast Package, SM71, Lightning development and Green Canyon 21 drilling has been estimated based on the achievement of production targets at SM 71, Lightning and GC21. There is a risk that SM 71, Lightning or GC21 or all of the projects do not meet these targets.

Reserves risk

Reserves assessment is a subjective process that provides an estimate of the volume of recoverable reserves. Oil and gas estimates are not precise and are based on knowledge, experience, interpretation and industry practice. Petroleum engineering is a subjective process of estimating accumulations of oil and/or natural gas that cannot be measured in an exact manner and which involves the use of assumptions which may ultimately not prove to be accurate. Different variables can impact whether these reserves are economically recoverable, including changes with respect to governmental regulations, commodity prices, and taxes. The Company's actual revenues, expenses, and production will likely vary from such estimates and such differences could be substantial.

The rate of production from oil and gas properties generally declines as reserves are depleted. Except to the extent that Otto acquires further properties containing additional reserves, conducts successful exploration and development activities or, through engineering studies (including geoscientific and exploration studies), identifies additional reserves on its existing properties, its reserves will decline as its production continues. Otto's future oil and gas production is, therefore, dependent upon its level of success in acquiring, finding and/or developing additional reserves. Because Otto's revenues and profits are derived from its oil and gas operations, its results of operations and financial condition are directly related to the success of its exploration, acquisition and development efforts and its ability to replace existing reserves. A failure to acquire or discover new reserves or enhance existing reserves in sufficient quantities to maintain or grow the current level of its reserves could have a material adverse effect on its business and financial performance.

Project development and delivery risk

Otto undertakes investments in oil and gas projects to extract, process and supply oil and gas including SM 71, Lightning and GC21 and any future discoveries. Such projects may be delayed or be unsuccessful for many reasons including unanticipated economic, financial, operational, engineering, technical, environmental, contractual, regulatory, community or political events. Delays, changes in scope, cost increases or poor performance outcomes pose risks that may impact Otto's financial performance.

Economic conditions

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The operating and financial performance of Otto is influenced by a variety of general economic and business conditions, including interest rates and exchange rates, access to debt and capital markets and government fiscal, monetary and regulatory policies. A prolonged deterioration in general economic conditions, including higher than expected inflation rates, could be expected to have an adverse impact on Otto's operating and financial performance and financial position.

Commodity price risk and volatility of oil and gas prices
The Company's main business activities are currently highly exposed to movements in global oil prices and to a lesser extent, changes in gas prices. The prices of oil, natural gas and other hydrocarbon products remain outside the control of the Company. A significant change in commodity prices would impact the company's profitability and its ability to meet its forecasts.

The price of oil and natural gas fluctuates greatly in response to changes in many factors. Currently Otto is in a situation where oil (and to some extent also natural gas) prices are around 22% lower than the highs of early January 2020. Over the past 10 years WTI oil has traded at over US$110/bbl and under US$30/bbl. There are several reasons for this but fundamental market forces beyond Otto's control or the control of other market participants have impacted and will continue to impact oil and natural gas prices in the future.

Generally, Otto does not and will not have control over the factors that affect the prices of oil and natural gas. These factors include:

- economic and political developments in resource-producing regions;
- global and regional supply and demand;
- the ability of the Organisation of the Petroleum Exporting Countries and other producing nations to influence global production levels and prices;
- government regulations and actions;
- global economic conditions;
- war or other international conflicts;
- changes in population growth and consumer preferences;
- the price and availability of new technology; and
- weather conditions

It is impossible to predict future price movements for oil and natural gas with certainty. A prolonged period of low oil and natural gas prices will adversely affect Otto's business, the results of operations, financial condition, liquidity and its ability to finance planned capital expenditure, including possible reductions in capital expenditures which could offset replacement reserves. Rapid material and/or sustained reductions in oil, gas or product prices can have an impact on the validity of the assumptions on which strategic decisions are based and can have an impact on the economic viability of projects that are planned or in development.
Currently Otto has no hedges in place beyond 2022 for oil sales. Hedging of future oil production is considered on an ongoing basis and Otto may hedge in the future.

Exploration and development risk
Oil and gas exploration, development and production activities are inherently subject to numerous risks, including the risk that drilling and development will not result in commercially viable oil and gas production. The identification of drilling locations relies on technical interpretation and is therefore subjective in nature and subject to numerous geological risks. Further, the successful drilling and development of a well for production is also subject to numerous sub-surface, technical, drilling, completion, development and other risks which may impact the commerciality of production.

Reliance on key personnel

The Company's primary intellectual asset is the skill and experience of its staff. It is essential that appropriately skilled staff be available in sufficient numbers to support the Company's operations. While the Company has initiatives to mitigate this risk, loss of key staff or failure to attract new staff may have a negative impact on the financial performance or otherwise of the Company and in particular its ability to expand its business. The loss of key staff to a competitor may magnify this impact. There can be no assurance that Otto will be able to continue to attract and retain all personnel necessary for the development and operation of the business.

Environmental risks

Potentially hazardous activities arise in connection with Otto's business. A significant safety or environmental incident or the failure of safety processes or of occupational health plans, as well as a breach of regulatory or contractual obligations, could materially adversely affect results of operations and reputation. Otto is also subject to laws and regulations governing health and safety matters to protect the public, employees and contractors, who could potentially be harmed by these activities, as well as laws and regulations relating to pollution, the protection of the environment, and the use and disposal of hazardous substances and waste materials.

The cost of future environmental remediation obligations is often inherently difficult to estimate and uncertainties can include the extent of contamination, the appropriate corrective actions and share of the liability. If more onerous requirements are imposed or the Company's ability to recover costs under regulatory frameworks changes, this could have a material adverse impact on the business, reputation, results of operations and financial position of Otto.

Otto may be exposed to a number of potential impacts of climate change over time, which could lead to demographic changes, changes in consumption patterns and physical risks to Otto's operations and facilities. As a result, the potential impact from climate change, both physical and as a result of new related policies and regulations, may have an adverse impact on Otto's operations or financial performance.

Operating hazards and natural disasters

Otto is subject to operating hazards normally associated with the exploration for, and production of oil and gas. Operating hazards may be due to technical integrity failure, loss of well control, vessel collision, loading or unloading operations, an aviation incident, a pipeline incident or cyber-attack. Operating hazards along with natural disasters (eg hurricanes), inclement weather, acts of terrorism, operator error or other occurrences can result in adverse events, including, without limitation, diminished production, additional costs, major unplanned outages, labour disruptions, fires, equipment failure, loss of well control, blowouts, cratering, pollution and oil spills.

The occurrence of any such operating hazard or risk could result in substantial losses to Otto due to injury or loss of life and damage to or destruction of oil and gas wells, formations, production facilities or other properties and the environment, as well as regulatory action, legal liability and damage to Otto's reputation. The effect could be particularly significant were an event of this nature to occur at Otto's SM 71 oil field and the Lightning field. A sustained interruption in production could have an adverse effect on Otto's financial performance. Additionally, Otto's operations are often conducted in difficult or environmentally sensitive locations, in which the consequences of a spill, explosion, fire or other incident could be greater than in other locations. Accordingly, the risk of Otto's failure to abide by environmental and safety and protection standards is inherent in Otto's operations. Such failure could lead to damage to the environment, and result in regulatory action, legal liability, material costs and damage to its reputation. It could also impact Otto's licence to operate. In certain circumstances, liability could be imposed irrespective of fault.

Regulatory risk

Changes in law or regulation or regulatory policy and precedent could result in a materially adverse effect. Decisions or rulings concerning, for example, whether licences, approvals or agreements to operate or supply are subject to new, more onerous regulatory requirements impacting timely recovery of incurred expenditure or obligations, the ability to pass through commodity costs and other decisions relating to the impact of general economic conditions on Otto, its markets and customers and in relation to proposed business development activities, could have a material adverse impact on results of operations, cash flows, the financial condition of the business and the ability to develop the business in the future.

Occupational health and safety risk
The conduct of exploration for, and development and production of, hydrocarbons may expose Otto's staff to potentially dangerous working environments. Occupational health and safety legislation and regulations differ in each jurisdiction. If any of Otto's employees suffered injury or death, compensation payments or fines may have to be paid, and such circumstances could result in the loss of a license or permit required to carry on the business, or other regulatory sanction, all of which have the potential to impact Otto's cash flow, operations and ability to make future distributions (should Otto decide to do so).

Industry competition and energy demand
The availability of a market for oil and gas in the future will depend in part on cost and availability of alternate fuels, the level of consumer demand, the extent of domestic production of oil and gas, the extent of important foreign oil and gas, the cost of and proximity of Otto projects to pipelines and other transportation facilities, regulations by state and federal authorities and the cost of complying with applicable environmental regulations. There is a risk that increased industry competition could impact on oil and gas supply and demand that could negatively impact on prices and therefore on Otto's business.

Insurance risk
Otto maintains insurance against losses and liabilities in accordance with customary industry practices and in amounts that management of Otto believes to be prudent. However, insurance against all operational risks is not available to Otto. Otto does not carry business interruption/loss of profits insurance. Otto may elect not to carry insurance with regard to specific risks if management of Otto believes that the cost of available insurance is excessive relative to the risks presented.

In addition, losses could occur for uninsured risks or in amounts in excess of existing insurance coverage. Otto cannot insure fully against pollution and environmental risks. Otto cannot assure Shareholders that it will be able to maintain adequate insurance in the future at rates they consider reasonable or that any particular types of coverage will be available.

In the event that there are insufficient insurance arrangements in place, Otto may be exposed to material capital losses, or losses that may impact revenue generation and the financial performance of the Company.

Inability to achieve future growth
Otto may experience difficulty in achieving and managing future growth.
Otto has experienced growth in the past primarily through expansion of its drilling program. Future growth may place strains on financial, technical, operational and administrative resources and cause Otto to rely more on project partners and independent contractors, possibly negatively affecting its financial position and results of operations. Otto's ability to grow will depend on a number of factors, including the results of its drilling program, hydrocarbon prices and access to capital along with its ability to:

- obtain leases or options on properties, including those for which Otto has 3-D seismic data;
- acquire additional 3-D seismic data;
- identify and acquire new opportunities;

- develop existing prospects;
- continue to retain and attract skilled personnel; and
- maintain or enter into new relationships with project partners and independent contractors

Otto may not be successful in upgrading technical, operations and administrative resources or in increasing its ability to internally provide certain of the services currently provided by outside sources, and Otto may not be able to maintain or enter into new relationships with project partners and independent contractors. Otto's inability to achieve or manage growth may adversely affect its financial position and results of operations.

Exchange rate risk
The revenues, expenses, earnings, assets and liabilities of the Company, as well as the listed price of the Company Shares and, accordingly, your investment in the Company, may be exposed adversely to exchange rate fluctuations. All Otto's revenues are derived from USD sales and the majority of the Company's expected expenditure will be in USD. Otto's functional and presentation currency of its financial statements is also USD. Any appreciation of the AUD against the USD effectively reduces the AUD value of the revenue net of the USD costs and reduces the AUD value of net assets. Further, any appreciation of USD against the AUD will have a detrimental impact on the use of AUD funds raised for the purposes of USA expenditure. The Company does not presently engage in currency hedging to offset any risk of currency fluctuations however the current policy is to hold the majority of its cash balances to United States dollars.

Joint venture relationships
The majority of Otto's' business is carried on through joint ventures. The use of joint ventures is common in the exploration and production industry and serves to mitigate the risk and associated cost of exploration, production and operational failure. However, failure of agreement or alignment with joint venture partners, or the failure of third-party joint venture operators, could have a material effect on Otto's' business. The failure of joint venture partners to meet their commitments and share costs and liabilities can result in increased costs to Otto.

Risk of litigation or arbitration
From time to time, Otto may be subject to litigation, arbitration, regulatory investigations and inquiries, claims and disputes arising out of its operations. Damages claimed under such proceedings or claims may be material or may be indeterminate, and the outcome of such litigation, arbitration, investigation, inquiry, claim or dispute could materially and adversely affect its business, results of operations or financial condition. While Otto assesses the merits of each claim and defends accordingly, it may be required to incur significant expenses in defending against such claims and there can be no guarantee that a court or tribunal finds in Otto's favour. In addition, proceedings to which Otto is not directly subject may have a material adverse effect on its business, reputation and financial performance.

Taxation
Changes in the interpretation or application of existing taxation laws by the courts or taxation authorities in Australia, or changes to the laws themselves, may affect the taxation treatment of an investment in Otto shares or the holding or disposal of those shares. Further, changes in tax law, or changes in the way tax law is expected to be interpreted, in the various jurisdictions in which Otto operates or has operated, may impact Otto's future tax liabilities.

Other risks
The above risks should not be taken as a complete list of the risks associated with an investment in Otto. The risks outlined above and other risks not specifically referred to may in the future materially adversely affect

the Company, or the value of the Shares and their performance. Accordingly, no assurance or guarantee of future performance or profitability is given by Otto in respect of the Company or the Shares.

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