ASX ANNOUNCEMENT
6 April 2020

COMPANY UPDATE

Otto Energy Limited (ASX:OEL) ("Otto" or the "Company") has made a series of announcements during the past week regarding actions that have been taken to ensure that the company is positioned to ride through the current market challenges. This update provides a summary of those initiatives and outlines reductions of the company's Houston office costs.

The company has confirmed that it will not be business as usual for Otto in the current low oil price environment. The company intends to focus on protecting our existing business and assets and completing the Green Canyon 21 development program.

The impact of the current oil price environment was demonstrated during the past week with the curtailment of production from the F1 well at the company's flagship South Marsh Island 71 asset following a rapid drop in Louisiana Light Sweet spot oil prices. Given the volume being produced approximates the hedged volumes that Otto holds there is expected to be minimal impact upon cashflows by taking this course of action. It is expected that short term oil prices will fluctuate significantly (oil prices have already recovered over US$10 per bbl since taking the action to shut-in production) and SM 71 production rates will be adjusted continuously dependent upon any favourable changes in oil price.

The company intends to be positioned to respond to short term challenges and be responsive to those as they arise.

In addition to initiatives announced last week, the running costs of the Houston office will be reduced by approximately 40% against budget and 50% against 2018/19 actual costs through a series of initiatives including unpaid furloughs, reduced hours and reductions of 30% in base salaries for staff and contractors. The business continues to monitor current conditions and will respond with further reductions if conditions require.

The following changes were implemented by the company during the recent week:

- The Board and Managing Director have confirmed that they will be taking up their full entitlements in the current capital raise;
- Mr John Jetter has been elected as Chairman following the resignation of long-standing director Mr Ian Boserio;
- The Board have resolved to immediately reduce their director fees by 50% for the next six months;
- Mr Jetter will lead a Board renewal process following completion of the capital raise; and
- The Managing Director has offered to reduce his compensation by 50%, subject to US Department of Labor consents.

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Otto's Managing Director and CEO, Matthew Allen, commented: *"The rapidity of change in the current business conditions present significant challenges for any business to respond and change direction. Otto has worked across the Board and staff to significantly change the cost base of the organisation to ensure that it remains viable through the current industry downturn.*

There are going to be significant challenges across the industry as major demand destruction, soaring global oil storage and interrupted supply chains due to COVID-19 play through. Given many of the higher cost segments of the oil and gas industry are significantly hedged for the coming 12-24 months, the impact upon supply is going to take some time to work through the industry before we see significant structural changes.

The company has implemented some tough initiatives in recent weeks, and I would like to thank the Board, staff and shareholders of Otto for the continued support that they have shown the company.

Despite these difficult conditions Otto has in recent weeks managed to inject significant additional capital into the company at this crucial time and in combination with the announced austerity measures Otto is now very well position to weather the current storm."

This release is authorized by the Board of Directors.

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