# QUARTERLY REPORT

## THREE MONTHS ENDED 31 MARCH 2020

14 April 2020

## HIGHLIGHTS

**South Marsh 71**

- Produced approximately 114,000 barrels of oil equivalent during the current quarter.
- Currently producing approximately 820 barrels of oil equivalent per day, of which approximately 87% of the oil is hedged at $56.71, which alone generates a monthly cash flow of over $1.1 million.
- Spudded the F5 development well on 1 March 2020.
- The F5 well, upon reaching total depth of 8,505 MD, logged a total of 39 feet MD of net gas pay (36 feet of True Vertical Thickness) in the D5 target, as well as 16 feet MD of net oil pay (12 feet of TVT) in the I3 Sand and 25 feet MD of net oil pay (20 feet of TVT net oil pay) in the J Sand reservoirs.
- Following increasing concerns related to the COVID-19 on operations, the SM71 F5 wellbore was temporarily abandoned in a manner that allows it to be efficiently sidetracked in the future.

**Lightning Field**

- The Green #2 well commenced production in February 2020 with a stabilized gross rate of 12.4 MMscf/day and over 350 Bbl/d of condensate.
- Construction of upgraded facility and flowlines was completed in early February and the capacity of the sales tap has increased to approximately 36 MMscf/d.

**Green Canyon 21**

- Completion operations continued on schedule for the previously announced "Bulleit" discovery, which is expected to commence production late in the third quarter of CY 2020.

**Corporate**

- The Company announced a capital raise consisting of a placement and 1 for 1 accelerated non-renounceable entitlement offer to raise up to a total of A$17.5 million (before costs) of which approximately A$10.6 million is underwritten by the lead manager, Euroz Securities Limited.
- Closing cash balance of US$14.3 million (prior to settlement of the Entitlement Offer) and debt of US$20 million.

> Comments from Managing Director & CEO Matthew Allen:
>
> We are appreciative of the continued support of many of our existing shareholders during this capital raise. To be able to raise capital in what is a very challenging environment for our industry is a testament to the quality of our shareholder base and is a competitive advantage for Otto.

These funds will strengthen our balance sheet for current market conditions and will allow the Company to emerge in a strong position once markets recover.

## PRODUCTION AND REVENUE SUMMARY

| Production Volumes and Sales Revenue WI Share (before royalties) (USD) | Current Quarter | Prior Quarter | Change |
|---|---|---|---|
| **Crude oil (barrels)** | | | |
| South Marsh 71 | 102,768 | 127,211 | -19% |
| Lightning Field | 16,771 | 3,791 | 342% |
| Total oil production | 119,539 | 131,002 | -9% |
| Total oil sales revenue ($'million) | $ 5.34 | $ 7.32 | -27% |
| Avg oil price ($/Bbl) | $ 44.70 | $ 55.87 | -20% |
| **Natural gas (thousand cubic feet)** | | | |
| South Marsh 71 | 70,354 | 125,422 | -44% |
| Lightning Field | 547,460 | 112,670 | 386% |
| Total gas production | 617,814 | 238,092 | 159% |
| Total gas sales revenue ($'million) | $ 1.2 | $ 0.6 | 100% |
| Avg gas price ($/MMbtu) | $ 1.85 | $ 2.43 | -24% |
| **Natural gas liquids (barrels)** | | | |
| South Marsh 71 | - | - | 0% |
| Lightning Field | 24,507 | 5,265 | 365% |
| Total NGL production | 24,507 | 5,265 | 365% |
| Total NGL sales revenue ($'million) | $ 0.41 | $ 0.08 | 413% |
| Avg NGL price ($/Bbl) | $ 16.55 | $ 15.80 | 5% |
| **Total (barrels of oil equivalent)** | | | |
| South Marsh 71 | 114,494 | 148,115 | -23% |
| Lightning Field | 132,521 | 27,834 | 376% |
| Total production | 247,015 | 175,949 | 40% |
| Total daily production (Boe/d) | 2,714 | 1,912 | 42% |
| Total revenue ($'million) | $ 6.90 | $ 8.00 | -14% |
| Total WA price ($/Boe) | $ 27.94 | $ 45.47 | -39% |

Otto's hydrocarbon sales for the quarter equate to 2,714 Boe/d, (WI %) a 42% increase over the prior quarter due to the commencement of production from Green #2 in February 2020, as well as production from Green #1 for an entire quarter, as this well was shut in for the entirety of November and December as a precaution while open hole drilling operations were underway on the Green #2 well.

Sales revenue for the current quarter decreased by 14% over the prior quarter due to a steady decline in crude oil and natural gas prices during the current quarter, despite the increase in production. Otto received proceeds of US$5.1 million, net of royalties, relating to December 2019 and January through February 2020 production.

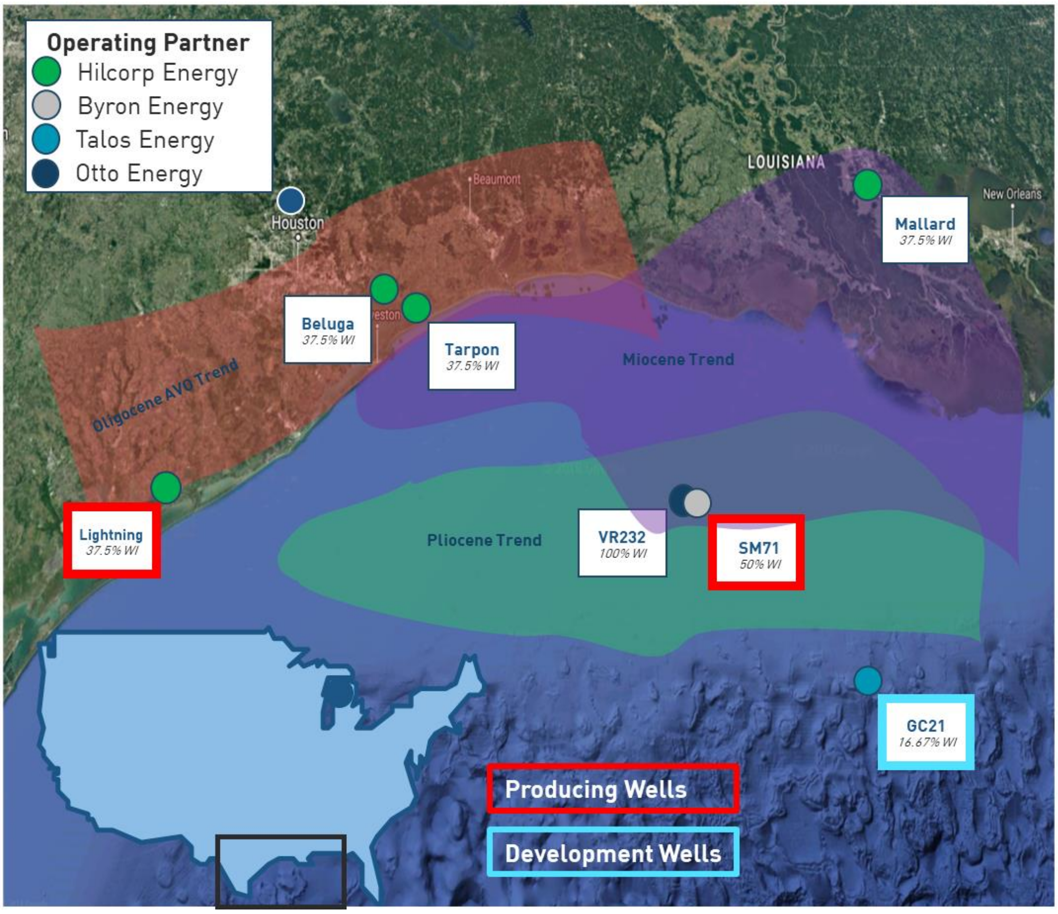
## SUMMARY OF OPERATIONS

### Otto Energy Projects - Gulf of Mexico

| Metric | SM71 | Lightning | Green Canyon 21 | Gulf Coast | VR 232 |
|---|---|---|---|---|---|
| Metric | Producing | Producing | Development | Exploration | Exploration |
| Ownership Structure | 50% WI | 37.5% WI | 16.67% WI | 37.5% WI * | 100% WI |
| NRI | 40.63% | 28.20% | 13.34% | 28.50% | 81.25% |
| Operator | Byron Energy (50% WI) | Hilcorp (62.5% WI) | Talos Energy (50% WI) | Hilcorp (62.5% WI) | Otto Energy |
| Comments | 3 wells producing; 1 well temporarily abandoned | 2 wells producing | Oil discovery being completed. Production expected Q3 2020 | 3-4 wells remaining in Package 1. To be drilled in late-2020 /early-2021 | Adjacent to SM71. Exploration plans to be determined |

* After paying 50% of drilling costs, as a promote

### Otto Energy Location and Formation - Gulf of Mexico



# PRODUCTION AND DEVELOPMENT

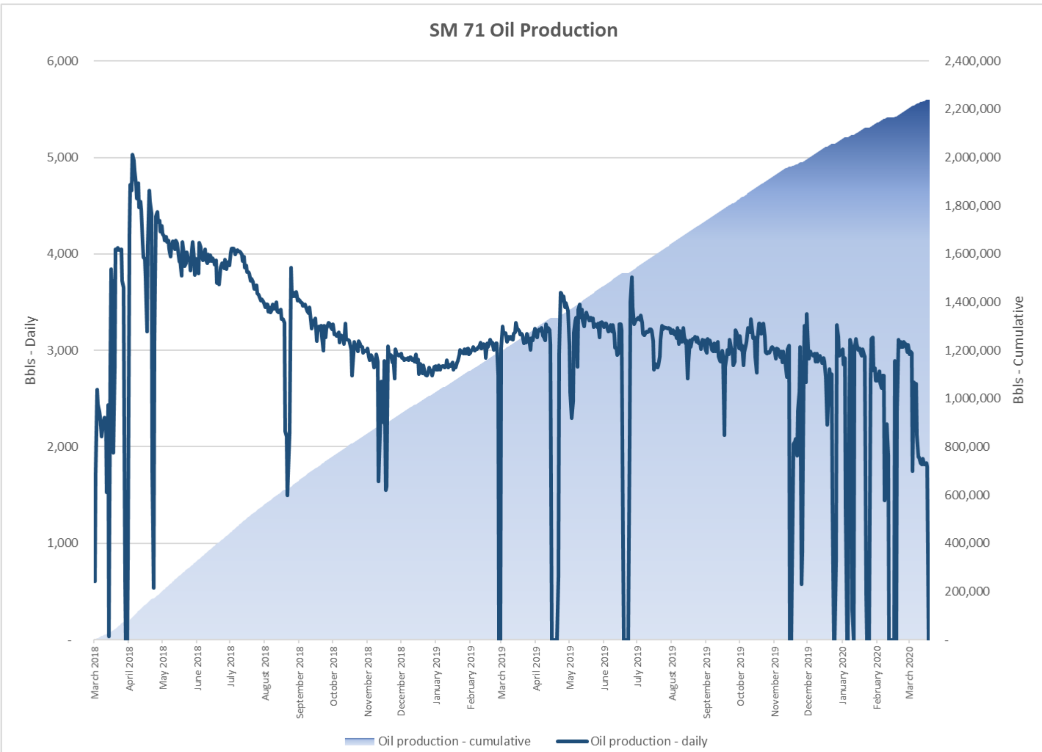
### LOUISIANA/GULF OF MEXICO – SOUTH MARSH ISLAND 71 (SM 71)

| | |
|---|---|
| **Location:** | Offshore Gulf of Mexico |
| **Area:** | 12.16 km$^2$ |
| **Water Depth:** | 137 feet |
| **Otto's Working Interest:** | 50.00% with Byron Energy Inc. (Operator) |

During the current quarter, the joint venture spudded the F5 development well in this field and announced a discovery on 23 March 2020. Due to increased uncertainty of continuing current operations in light of concerns related to the impact of the COVID-19 on operations, the SM71 F5 wellbore was temporarily abandoned in a manner that allows it to be efficiently sidetracked in the future when the uncertainty relating to the COVID-19 pandemic has dissipated and also at a time where oil price volatility stabilizes.

Production from the SM 71 F platform commenced in March 2018 with the F1 and F3 wells producing in the primary D5 Sand reservoir and the F2 well producing from the B55 Sand. As of 31 March 2020, the SM71 F facility has produced approximately 2.2 million barrels of oil (gross) since initial production began. The facility has also produced over 3.0 billion cubic feet of gas (gross).

On 31 March 2020, the Company announced that the Louisiana Light Sweet ("LLS'') premium began trading at a material discount to West Texas Intermediate ["WTI"] and might remain negative through the remainder of 2020. In response, the operator has ramped-down production at the SM71 platform from a gross rate of approx. 3,000 barrels of oil per day ("bopd") and 10.5 million cubic feet per day ("mmcfd") of gas (1,200 bopd and 0.6 mmcfd, net to Otto) to 1,890 bopd and 9.5 mmcfd, (770 bopd and 0.3 mmcfd, net to Otto) as of 31 March 2020. This volume approximates the Company's hedged volumes and is expected to have minimal impact on cashflows. Additionally, this course of action preserves our reserves for the future when prices will hopefully be better. SM71 production rates will be adjusted continuously dependent upon any favourable changes in price. As of the date of this report, daily production rates are consistent with the daily production rates as of 31 March 2020.



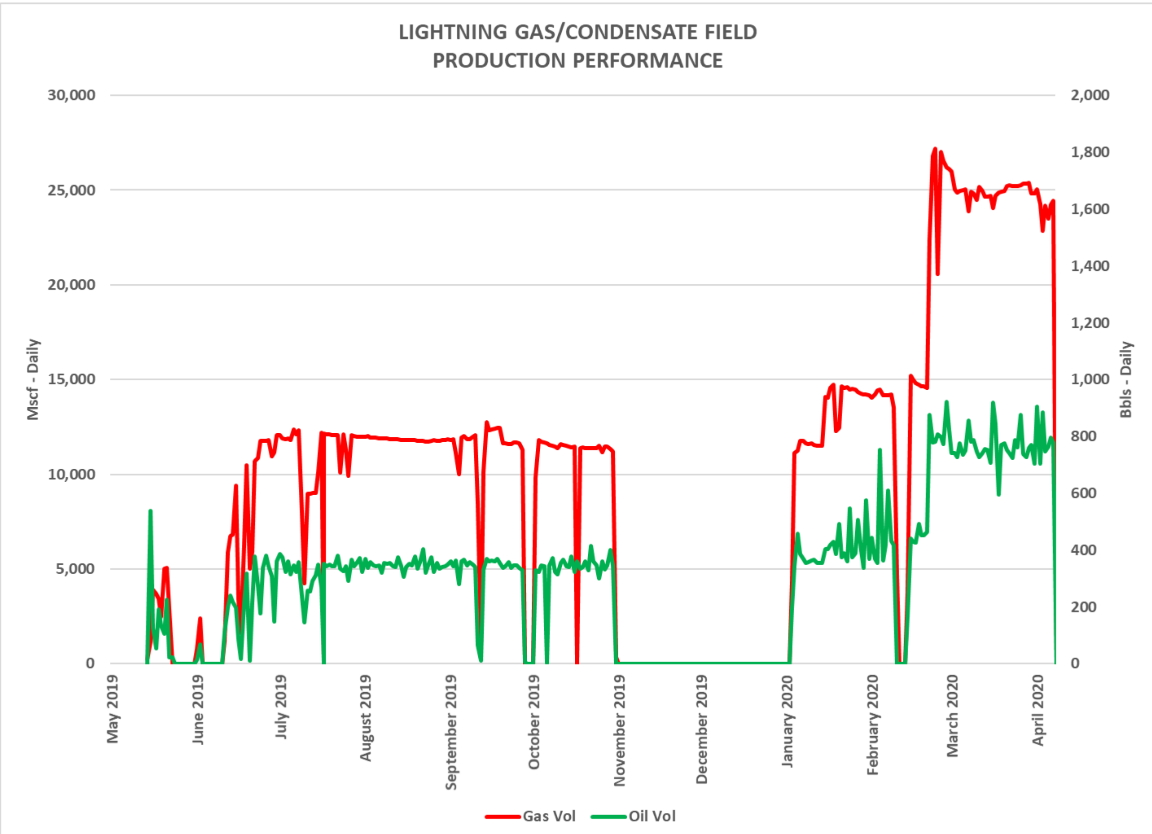
## TEXAS/GULF OF MEXICO – LIGHTNING

| | |
|---|---|
| **Location:** | Onshore Matagorda County, Texas |
| **Otto's Working Interest:** | 37.50% - Hilcorp Energy (62.50% and Operator) |

The first well in this field, the Green #1, commenced production in June 2019, while the second, the Green #2, commenced production in February 2020. As of 31 March 2020, these two wells were producing at a combined 24.8 MMscf/day in raw gas and 770 bbl/day in condensate. Otto's 37.5% Working Interest share is 9.3 MMscf/d and 289 bbls/d.

The Green #2 well was completed in the Tex Miss 1 interval with 66 feet of perforations out of a total of 146 feet of calculated net pay. Further perforations may eventually be added to the well. 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. It is planned to now run both wells and evaluate the potential for further wells to be added to the field.

During evaluation, detailed information was obtained that has enabled a reinterpretation of the 3D seismic by the operator. This has confirmed that there are multiple levels of hydrocarbon pay in the Lightning field. The upper zone, the Tex Miss 1, is the reservoir unit from which both Green #1 and Green #2 are producing. The lower Tex Miss 2/3 zone, which is aerially significantly larger and potentially thicker than the Tex Miss 1, has been tested in both the Green #1 and Green #2 wells. In both tests, production from the Tex Miss 2/3 zone has indicated that the zone has lower permeability than the Tex Miss 1 and has not been able to establish steady production. It was planned to evaluate the Tex Miss 2/3 zone with the inclusion of a fracture stimulation in the Green #2 well, however bottom hole conditions following the need to sidetrack the Green #2 well did not prove suitable for such an operation to be attempted. It is planned that a future well will be designed to test the ability to stimulate the Tex Miss 2/3 zone and unlock the significant upside potential from this zone in future drilling campaigns.



### GULF OF MEXICO – GREEN CANYON 21

**Location:** Offshore, Gulf of Mexico
**Water Depth:** 1,200 feet
**Otto's Working Interest:** 16.67% - Talos Energy (50.00% and Operator)

#### Appraisal Well and Development

The "Bulleit" appraisal well commenced drilling on 6 May 2019. On 13 June 2019, the Company announced that the upper target, the DTR-10 sand, was intersected and a commercial outcome was confirmed. On 8 August 2019 Otto announced the deeper MP sands were intersected and a net 110 feet of TVD oil pay was intersected in a high-quality reservoir.

Completion operations are underway. Talos will complete the well as a subsea tieback with a standard completion, tying back to the Talos operated GC 18A Platform, which is currently being upgraded. Completion of the "Bulleit" well is expected by mid-2020 with first production in late Q3 CY 2020.

## EXPLORATION

### LOUISIANA & TEXAS/GULF OF MEXICO – HILCORP PROGRAM

**Location:** Onshore/Near Shore Texas and Louisiana, Gulf of Mexico
**Otto's Working Interest:** 37.50% - Hilcorp Energy (62.50% and Operator)

In March 2020, Hilcorp advised the Company that they had received the permit to drill the Beluga prospect with a shallow-draft barge rig, which will not be available until Q3 CY 2020. To minimize mob/demob costs for the Beluga prospect, the Company is hopeful that the drilling permit for Mallard and/or Tarpon will be issued by then to improve costs and efficiency. In the case of Mallard, we are awaiting land use access permits for pipelines. In the case of Tarpon, permits required from the regulator have been in progress for several months. Regarding our Oil Lake prospect, the operator has not been able to secure a land use permit from the landowner, and the drilling of this prospect will more than likely not proceed.

#### Additional Upside

Under the agreement with Hilcorp (JEDA) Otto has a right of first offer to a subsequent Gulf Coast program, if Hilcorp elect to offer such a program to third parties. Otto has evaluated a number of prospects, including replacements for the Oil Lake prospect, and not elected to proceed at this stage. Otto remains in dialogue with Hilcorp about future drilling opportunities.

| Prospect Name (State) | Working Interest | Net Revenue Interest | Target Depth (TVD) ft | Probability of Success | Prospective Resources (MMboe) Otto Net Revenue Interest | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | P90 | P50 | Mean | P10 |
| Beluga, TX | 37.5% | 30.00% | 13,000 | 45% | 0.2 | 0.9 | 1.4 | 3.4 |
| Mallard, LA | 37.5% | 29.63% | 11,000 | 64% | 0.1 | 0.3 | 0.5 | 1.3 |
| Tarpon, TX | 37.5% | 29.06% | 14,000 | 34% | 2.2 | 7.0 | 10.5 | 23.5 |

Prospective Resources Cautionary Statement - The estimated quantities of petroleum that may potentially be recovered by the application of future development projects relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

### LOUISIANA/GULF OF MEXICO – VERMILLION BLOCK 232 (VR 232)

**Location:** Offshore Gulf of Mexico
**Area:** 18.31 $km^2$
**Otto's Working Interest:** 100.0% (Otto is Operator)

As previously reported, Otto acquired Byron Energy's 50% interest in, and operatorship of, VR 232 at no cost. VR 232 is adjacent to Otto's 50% owned South Marsh Island Block 71 oil field and production platform. Otto has ownership of recently reprocessed 3D seismic coverage over the SM 71 and VR 232 area and is evaluating prospect potential of the area.

## ONSHORE NORTH SLOPE ALASKA

### ALASKA – WESTERN BLOCKS

**Location:** Onshore North Slope Alaska
**Area:** 92 $km^2$
**Otto's Interest:** 22.5% – Great Bear Petroleum Operating (Operator of record)

After purchasing additional regional 3D seismic data within the Western Blocks, the Joint Venture is still reviewing its plan to either reprocess / reinterpret the legacy 3D seismic data or monetise the blocks

### ALASKA – CENTRAL BLOCKS

**Location:** Onshore North Slope Alaska
**Area:** 624.4 $km^2$
**Otto's Interest:** 8%-10.8% – Great Bear Petroleum Operating (Operator)

Through its agreements with Great Bear Petroleum Operating ("Great Bear") in 2015, Otto has between an 8% and 10.8% working interest in 54 leases (covering 154,295 gross acres) held by Pantheon Resources plc (AIM:PANR) on the Alaskan North Slope ("Central Blocks").

The leases are in a major play fairway south of the Prudhoe Bay and Kuparuk giant oil fields.

Extensive, modern 3D seismic coverage, existing well control and proximity to the all-weather Dalton Highway and Trans-Alaskan Pipeline System (TAPS) means the acreage is well positioned for exploration.

The existing 3D seismic has allowed development of an extensive prospect portfolio which includes at least 4 well locations.

Otto's exposure on the first two wells is limited to US$2.6m/well. Otto had no activity in this area during the March Quarter 2020.

# CORPORATE

## EQUITY RAISE

On 26 March 2020, the Company announced a capital raising consisting of a placement and a 1 for 1 accelerated non-renounceable entitlement offer ('Entitlement Offer') to raise up to a total of A$17.5 million (before costs) at $0.006 per new share. Of the A$17.5 million, approximately A$10.6 million is underwritten by the lead manager, Euroz Securities Limited. The placement raised A$1.4 million through the issue of 231 million shares on 31 March 2020 at $0.006 per share. As at 31 March 2020, the Company had received commitments for A$6.4 million to be received from the institutional component of the Entitlement Offer. The retail component of the Entitlement Offer to raise up to A$9.7 million was partially underwritten and opened to shareholders on 3 April 2020. These funds will strengthen the Company's balance sheet for current market conditions and will allow the Company to emerge in a strong position once markets recover. Once the Company's Green Canyon 21 discovery comes on production, this will be a major step towards achieving its previously stated goal of reaching 5,000 boe/d by the end of the year.

## CASH FLOWS

Otto's cash on hand at the end of the quarter was US$14.3 million (December 2019: US$25.7 million). During the March quarter, Otto received US$5.1 million in cash flows from the sale of production from its 50% owned SM 71 oil field in the Gulf of Mexico and its 37.5% owned Lightning field, net of royalties. Subsequent to the end of the quarter, the Company received the institutional entitlements portion of the equity raise, taking its cash balance to US$19.0 million as of 7 April 2020.

## DEBT

On 2 November 2019, the Company entered a three-year senior secured US$55 million facility with Macquarie Bank Limited (Macquarie). The initial commitment under the Facility is US$35 million with an additional US$20 million subject to further credit approval from Macquarie. As of 31 March 2020, the Company had US$20 million drawn under the facility with an interest rate of LIBOR plus 8.0% per annum. Quarterly principal repayments commenced on 31 March 2020. As of 31 March 2020, the Company was in compliance with all of its financial covenants. The Facility is secured by substantially all of the Company's assets.

## COMMODITY PRICE RISK MANAGEMENT

During the current quarter, the Company entered into additional hedges for 73,795 barrels for 2021 at a swap price of $52.90. As of 31 March 2020, Otto had a total hedge book of 376,408 barrels of oil hedged through September 2022 via swaps, at a weighted average LLS price of $54.93 as follows:

| Months | Volume (Bbls) | Weighted Avg Price (LLS) |
|---|---|---|
| April – December 2020 | 148,232 | $56.71 |
| January – December 2021 | 184,616 | $53.71 |
| January – September 2022 | 43,560 | $54.00 |

## SHAREHOLDERS

### Otto's issued capital as at 8 April 2020:

| Class | Number |
|---|---|
| **Fully paid ordinary shares** | 3,765,607,793 |
| **Options (A$0.08)** | 42,500,000 |
| **Performance Rights** | 36,617,000 |

### Otto's Top 20 Holders as at 8 April 2020:

| Rank | Name | Units | % of Units |
|---|---|---|---|
| 1 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 1,620,241,019 | 43.03% |
| 2 | BNP PARIBAS NOMINEES PTY LTD | 135,447,998 | 3.60% |
| 3 | CITICORP NOMINEES PTY LIMITED | 100,078,770 | 2.66% |
| 4 | J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 90,989,656 | 2.42% |
| 5 | CS THIRD NOMINEES PTY LIMITED | 40,477,110 | 1.07% |
| 6 | KEYBRIDGE CAPITAL LIMITED | 31,979,513 | 0.85% |
| 7 | MR JOHN PHILIP DANIELS | 30,950,000 | 0.82% |
| 8 | MR JAMIE PHEROUS (BLACK DUCK HOLDINGS A/C) | 20,000,000 | 0.53% |
| 9 | MR DANIEL LEE | 18,211,778 | 0.48% |
| 10 | DANIEL LEE PTY LTD (STAFF SUPER FUND A/C) | 17,771,431 | 0.47% |
| 11 | MR WILLIAM GEORGE WILLIAMS | 15,760,905 | 0.42% |
| 12 | MR CRAIG GRANT RADFORD & MRS SARAH JANE RADFORD | 15,537,765 | 0.41% |
| 13 | MR ANASTASIOS MAZIS (MAZIS FAMILY A/C) | 15,041,091 | 0.40% |
| 14 | MR CRAIG GRAEME CHAPMAN | 15,000,000 | 0.40% |
| 15 | MR EUAN PATRICK DAVID WADSWORTH | 15,000,000 | 0.40% |
| 16 | MR THOMAS FRITZ ENSMANN | 15,000,000 | 0.40% |
| 17 | MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED | 14,526,375 | 0.39% |
| 18 | DBS VICKERS SECURITIES (SINGAPORE) PTE LTD | 13,520,833 | 0.36% |
| 19 | LAM & CHAU CORPORATION PTY LTD | 12,962,902 | 0.34% |
| 20 | ONLET PTY LTD (FOSTER SUPER A/C) | 12,807,781 | 0.34% |
| **Total Top 20 Shareholders** | | **2,251,304,927** | **59.79%** |
| Total Remaining Shareholders | | 1,514,302,866 | 40.21% |
| **Total Shares on Issue** | | **3,765,607,793** | **100.0%** |

### Substantial Holders as at 8 April 2020:

| Name | Units | % of Units |
|---|---|---|
| Molton Holdings Limited | 1,602,669,432 | 42.56% |

**Director Holdings as at 8 April 2020:**

| Name | Units | % of Units |
|---|---|---|
| John Jetter | 28,940,834 | 0.77% |
| Matthew Allen | 10,770,801 | 0.29% |
| Kevin Small | 12,371,515 | 0.33% |
| Paul Senycia | 4,711,468 | 0.13% |

## OTTO AT A GLANCE

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

**DIRECTORS**

John Jetter - Non-Executive Chairman
Matthew Allen - Managing Director & CEO
Paul Senycia - Non-Executive
Kevin Small - Executive Director

**Chief Financial Officer**
Sergio Castro

**Company Secretary:**
Kaitlin Smith (AE Administrative Services)

ASX Code: OEL

**CONTACTS**

Ground Floor 70 Hindmarsh Square
Adelaide SA 5000 Australia

**INVESTOR RELATIONS:**
Mark Lindh (Adelaide Equity Partners)
**E:** investor-relations@ottoenergy.com
**P:** +61 (0) 2 4017 1257
**P:** +61 414 551 361

This release is authorised by the Board of Directors.

## Competent Persons Statement

The information in this report that relates to oil and gas prospective resources in relation to the Gulf Coast Package (Beluga, Oil Lake, Tarpon and Mallard) in the Gulf of Mexico was compiled by technical employees of Hilcorp Energy Company, the Operator of the Gulf Coast Package, and subsequently reviewed by Mr Ed Buckle B.S. Chemical Engineering (Magna Cum Laude) who has consented to the inclusion of such information in this report in the form and context in which it appears.

Mr Buckle is a full-time contractor of the Company, with more than 30 years relevant experience in the petroleum industry and is a member of The Society of Petroleum Engineers (SPE). The resources included in this report have been prepared using definitions and guidelines consistent with the 2007 Society of Petroleum Engineers (SPE)/World Petroleum Council (WPC)/ American Association of Petroleum Geologists (AAPG)/ Society of Petroleum Evaluation Engineers (SPEE) Petroleum Resources Management System (PRMS). The resources information included in this report are based on, and fairly represents, information and supporting documentation reviewed by Mr Buckle. Mr Buckle is qualified in accordance with the requirements of ASX Listing Rule 5.41 and consents to the inclusion of the information in this report of the matters based on this information in the form and context in which it appears.

### Prospective Resources

The Gulf Coast Package prospective resource estimates in this report are effective as at 30 June 2019.

The resource estimates have been prepared using the internationally recognised Petroleum Resources Management System to define resource classification and volumes. The resource estimates are in accordance with the standard definitions set out by the Society of Petroleum Engineers, further information on which is available at www.spe.org. The prospective resource estimates have been prepared using the deterministic method except for the Gulf Coast Package and Green Canyon 21 which have used the probabalistic method. The prospective resources information in this document is reported according to the Company's economic interest in each of the resources and net of royalties. The prospective resources information in this document has been estimated using a 6:1 BOE conversion ratio for gas to oil; 6:1 conversion ratio is based on an energy equivalency conversion method and does not represent value equivalency. The estimates are un-risked and have not been adjusted for either an associated chance of discovery or a chance of development. The prospective resources information in this document has been estimated on the basis that products are sold on the spot market with delivery at the sales point on the production facilities. Prospective resources are reported on a best estimate basis. Otto is not aware of any new information or data that materially affects the assumptions and technical parameters underpinning the estimates of reserves and contingent resources and the relevant market announcements referenced continue to apply and have not materially changed.

### Prospective Resources Cautionary Statement

The estimated quantities of petroleum that may potentially be recovered by the application of future development projects relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

### Reserves Cautionary Statement

Oil and gas reserves and resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates that were valid when originally calculated may alter significantly when new information or techniques become available. Additionally, by their very nature, reserve and resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional drilling and analysis, the estimates are likely to change. This may result in alterations to development and production plans which may, in turn, adversely impact the Company's operations. Reserves estimates and estimates of future net revenues are, by nature, forward looking statements and subject to the same risks as other forward looking statements.

## ASX Reserves and Resources Reporting Notes

(i) *The reserves and prospective resources information in this document is effective as at 30 June, 2019 (Listing Rule (LR) 5.25.1)*

(ii) *The reserves and prospective resources information in this document has been estimated and is classified in accordance with SPE-PRMS (Society of Petroleum Engineers - Petroleum Resources Management System) (LR 5.25.2)*

(iii) *The reserves and prospective resources information in this document is reported according to the Company's economic interest in each of the reserves and prospective resource net of royalties (LR 5.25.5)*

(iv) *The reserves and prospective resources information in this document has been estimated and prepared using the probabilistic method (LR 5.25.6)*

(v) *The reserves and prospective resources information in this document has been estimated using a ratio of 6,000 cubic feet of natural gas to one barrel of oil. This conversion ratio is based on an energy equivalency conversion method and does not represent value equivalency (LR 5.25.7)*

(vi) *The reserves and prospective resources information in this document has been estimated on the basis that products are sold on the spot market with delivery at the sales point on the production facilities (LR 5.26.5)*

(vii) *The method of aggregation used in calculating estimated reserves was the arithmetic summation by category of reserves. As a result of the arithmetic aggregation of the field totals, the aggregate 1P may be a very conservative estimate and the aggregate 3P may be a very optimistic estimate due to the portfolio effects of arithmetic summation (LR 5.26.7 & 5.26.8)*

(viii) *Prospective resources are reported on a best estimate basis (LR 5.28.1)*

(ix) *For prospective resources, the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons (LR 5.28.2)*

(x) *The reserve numbers assume some investment over the life of the field outlined above.*

## Definitions

- "$m" means USD millions of dollars
- "bbl" means barrel
- "bbls" means barrels
- "bopd" means barrels of oil per day
- "Mbbl" means thousand barrels
- "Mscf" means 1000 standard cubic feet
- "NGLs" means natural gas liquids
- "Mboe" means thousand barrels of oil equivalent ("BOE") with a BOE determined using a ratio of 6,000 cubic feet of natural gas to one barrel of oil – 6:1 conversion ratio is based on an energy equivalency conversion method and does not represent value equivalency
- "MMscf" means million standard cubic feet
- "MMboe" means million barrels of oil equivalent ("BOE") with a BOE determined using a ratio of 6,000 cubic feet of natural gas to one barrel of oil – 6:1 conversion ratio is based on an energy equivalency conversion method and does not represent value equivalency
- "MMbtu" means million British thermal units

# Appendix 5B

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

| Name of entity | |
|---|---|
| Otto Energy Limited | |
| **ABN** | **Quarter ended ("current quarter")** |
| 56 107 555 046 | 31 March 2020 |

| Consolidated statement of cash flows | | | Current quarter $US'000 | Year to date (9 months) $US'000 |
|---|---|---|---|---|
| **1.** | **Cash flows from operating activities** | | | |
| 1.1 | Receipts from customers | | 5,073 | 19,783 |
| 1.2 | Payments for | | | |
| | (a) | exploration & evaluation (if expensed) | (4,667)* | (15,051) |
| | (b) | development | (7,309) | (8,740) |
| | (c) | production | (703) | (2,267) |
| | (d) | staff costs | (731) | (2,143) |
| | (e) | administration and corporate costs | (423) | (1,224) |
| 1.3 | Dividends received (see note 3) | | - | - |
| 1.4 | Interest received | | 38 | 62 |
| 1.5 | Interest and other costs of finance paid | | (1,034) | (1,515) |
| 1.6 | Income taxes paid | | (2) | (2) |
| 1.7 | Government grants and tax incentives | | - | - |
| 1.8 | Other (provide details if material) | | - | 74 |
| **1.9** | **Net cash from / (used in) operating activities** | | **(9,758)** | **(11,023)** |

*Of this amount, $3.0 million relates to the SM71 F5 well; $0.6 million relates to seismic data and $1.1 million relates to certain costs at GC 21 and Mustang.

| | | | | |
|---|---|---|---|---|
| **2.** | **Cash flows from investing activities** | | | |
| 2.1 | Payments to acquire: | | | |
| | (a) | entities | - | - |
| | (b) | tenements | - | - |
| | (c) | property, plant and equipment | (137) | (192) |
| | (d) | exploration & evaluation (if capitalised) | - | - |
| | (e) | investments | - | - |

| Consolidated statement of cash flows | | Current quarter $US'000 | Year to date (9 months) $US'000 |
|---|---|---|---|
| | (f) other non-current assets | - | - |
| 2.2 | Proceeds from the disposal of: | | |
| | (a) entities | - | - |
| | (b) tenements | - | - |
| | (c) property, plant and equipment | - | - |
| | (d) investments | - | - |
| | (e) other non-current assets | - | - |
| 2.3 | Cash flows from loans to other entities | - | - |
| 2.4 | Dividends received (see note 3) | - | - |
| 2.5 | Other (provide details if material) | - | - |
| **2.6** | **Net cash from / (used in) investing activities** | **(137)** | **(192)** |

| | | | |
|---|---|---|---|
| **3.** | **Cash flows from financing activities** | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | 855 | 855 |
| 3.2 | Proceeds from issue of convertible debt securities | - | - |
| 3.3 | Proceeds from exercise of options | - | - |
| 3.4 | Transaction costs related to issues of equity securities or convertible debt securities | (29) | (29) |
| 3.5 | Proceeds from borrowings | - | 22,000 |
| 3.6 | Repayment of borrowings | (2,000) | (2,000) |
| 3.7 | Transaction costs related to loans and borrowings | (335) | (2,667) |
| 3.8 | Dividends paid | - | - |
| 3.9 | Other (provide details if material) | - | - |
| **3.10** | **Net cash from / (used in) financing activities** | **(1,509)** | **18,159** |

| | | | |
|---|---|---|---|
| **4.** | **Net increase / (decrease) in cash and cash equivalents for the period** | | |
| 4.1 | Cash and cash equivalents at beginning of period | 25,719 | 7,383 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (9,758) | (11,023) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (137) | (192) |

| **Consolidated statement of cash flows** | | **Current quarter $US'000** | **Year to date (9 months) $US'000** |
|---|---|---|---|
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | (1,509) | 18,159 |
| 4.5 | Effect of movement in exchange rates on cash held | (26) | (38) |
| **4.6** | **Cash and cash equivalents at end of period** | **14,289** | **14,289** |

| **5.** | **Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | **Current quarter $US'000** | **Previous quarter $US'000** |
|---|---|---|---|
| 5.1 | Bank balances | 14,289 | 25,719 |
| 5.2 | Call deposits | | |
| 5.3 | Bank overdrafts | | |
| 5.4 | Other (provide details) | | |
| **5.5** | **Cash and cash equivalents at end of quarter (should equal item 4.6 above)** | **14,289** | **25,719** |

| **6.** | **Payments to related parties of the entity and their associates** | **Current quarter $US'000** |
|---|---|---|
| 6.1 | Aggregate amount of payments to related parties and their associates included in item 1 | 250 |
| 6.2 | Aggregate amount of payments to related parties and their associates included in item 2 | |

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Directors fees including superannuation where applicable

| | US$'000 |
|---|---|
| Executive Directors | 188 |
| Non-Executive Directors | 62 |
| Total | **250** |

| 7. | **Financing facilities**<br>*Note: the term "facility' includes all forms of financing arrangements available to the entity.*<br>*Add notes as necessary for an understanding of the sources of finance available to the entity.* | **Total facility amount at quarter end $US'000** | **Amount drawn at quarter end $US'000** |
|---|---|---|---|
| 7.1 | Loan facilities | 55,000 | 22,000 |
| 7.2 | Credit standby arrangements | | |
| 7.3 | Other (please specify) | | |
| 7.4 | **Total financing facilities** | 55,000 | 22,000 |

| | | |
|---|---|---|
| 7.5 | **Unused financing facilities available at quarter end** | 13,000 |
| 7.6 | Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well. | |

On 2 November 2019, Otto Energy entered into a three-year senior secured US$55 million term debt facility with Macquarie Bank Limited (Macquarie) as follows:

<u>Initial commitment of $35 million</u>

- Tranche A1 ($25 million) available upon facility close. $22 million drawn with $2 million repaid as of 31 March 2020. Repaid amounts are not available for re-borrowing
- Tranche A2 ($10 million) available on successful exploration or commencement of commercial production at Green Canyon 21. No funds drawn as of 31 March 2020
- Interest rate of LIBOR plus 8.0% per annum;
- Maturity date 36 months from initial drawdown;
- Quarterly principal repayments commencing 31 March 2020;
- Senior secured non-revolving facility with security over US based assets; and
- The Facility may be cancelled by the Company after 12 months without penalty once any drawn funds are repaid.

<u>Additional $20 million available</u>

- Subject to further credit approval from Macquarie on same terms as above

| **8.** | **Estimated cash available for future operating activities** | **$US'000** |
|---|---|---|
| 8.1 | Net cash from / (used in) operating activities (Item 1.9) | (9,758) |
| 8.2 | Capitalised exploration & evaluation (Item 2.1(d)) | |
| 8.3 | Total relevant outgoings (Item 8.1 + Item 8.2) | (9,758) |
| 8.4 | Cash and cash equivalents at quarter end (Item 4.6) | 14,289 |
| 8.5 | Unused finance facilities available at quarter end (Item 7.5) | 13,000 |
| 8.6 | Total available funding (Item 8.4 + Item 8.5) | 27,289 |
| 8.7 | **Estimated quarters of funding available (Item 8.6 divided by Item 8.3)** | 2.8 |

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

## Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 14 April 2020............................................................

Authorised by: ..................................................................................
By the board

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash*

*Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.