6 May 2020

Ms Belinda Giles
Listings Compliance (Perth)
ASX Limited
Level 40, Central Park
152-158 St Georges Terrace
PERTH WA 6000

Dear Ms Giles

Otto Energy Ltd ('OEL' or 'Company'): Aware Query

Please find OEL's response to your letter dated 1 May 2020 (using the same numbers) below. Capitalised terms in this letter have the definitions ascribed to them in your letter.

1. Does OEL consider the following information or any part thereof to be information that a reasonable person would expect to have a material effect on the price or value of its securities? Please respond to each item separately.

- ***The Default Information;***
- ***The Review Information, or***
- ***The Financial Covenant and Undertaking Information.***

OEL does not consider that any item of the Information is information that a reasonable person would expect to have a material effect on the price or value of OEL's securities, in the context of the previous disclosures relating to the Macquarie Facility (**Facility**) as made on ASX.

2. If the answer to question 1 (or any part thereof) is "no", please advise the basis for that view.

OEL made a number of disclosures relating to the Facility, including those detailed in paragraphs A, B and E of your letter, with these disclosures made prior to the Clarifying Announcement. These disclosures included the key terms of the Facility and were made in accordance with the continuous disclosure requirements under the ASX Listing Rules in the context of the facts known to OEL at those times.

OEL's announcement in paragraph A of your letter was prepared by the Company in conjunction with its external financial advisers, legal advisers and approved by Macquarie, as lender. Additionally, OEL's announcement is consistent with other contemporary ASX public announcements regarding similar lending facilities and was appropriate in the context of the market and business environment at that time.

It is noted that at no time was the Company in breach of any default occurrences, review events or covenants under the Facility and that it was at the time of entering into the Facility and at the time of each of the relevant disclosures in compliance with the terms of the Facility. OEL continues to be in compliance with the terms of the Facility.

Since the announcement referenced in paragraph A of your letter, in or around March 2020 global oil prices fell dramatically and the first financial effects of COVID – 19 were being experienced by the market.

As a result of the significant differences between the macroeconomic environments between November 2019 and March 2020, OEL's board made a decision to consider capital raising opportunities, amongst other things to shore up its balance sheet to enable the Company to be funded for its development activities and contingent activities.

The Company announced a placement and accelerated non-renounceable entitlement offer on 26 March 2020. Relevantly, in the context of OEL undertaking the capital raising, the disclosure in the OEL Investor Presentation specifically included a risk factor and noted the existence of the Facility and that the Facility included various financial covenants and undertakings, and that if OEL did not comply with those terms, covenants and undertakings it may be in breach of the Facility, with the effect of a breach set out in that disclosure.

OEL released the Clarifying Announcement as an update to the market following several information requests from shareholders. The Clarifying Announcement was consistent with the general disclosure provided in the OEL Investor Presentation.

The additional information included in the Retail Offer Booklet was of the same nature.

3. When did OEL first become aware of the Information referred to in question 1 or any part thereof? Please respond to each item separately.

Please refer to OEL's response to question 2.

The Facility was executed by OEL on 2 November 2019 and this agreement contained the Information (subject to our comments below). These types of event of default occurrences, review events and covenants are considered to be common in facility agreements of this nature.

The variation to the covenant was signed after market close on 24 March 2020, being the date that Macquarie and OEL agreed the amendment and the Company requested a trading halt promptly and without delay pre-open the next day.

4. If OEL first became aware of:

- ***The Default Information;***
- ***The Review Information; or***
- ***The Financial Covenant and Undertaking Information,***

before 2 April 2020, did OEL make any announcement prior to 2 April 2020 which disclosed the Information? If so, please provide details. If not, please explain why this Information was not released to the market at an earlier time, commenting specifically on:

- ***when you believe OEL was obliged to release the Information under Listing Rules 3.1 and 3.1A; and***
- ***what steps OEL took to ensure that the Information was released promptly and without delay.***

Please refer to OEL's response to question 2 and question 3.

OEL does not believe it was 'obliged' to release the Information, but did so as an update to the market regarding the Facility following several information requests from shareholders in the context of the capital raising. This update to the market

commenced with the disclosure in the Investor Presentation referenced in paragraph E of your letter.

5. ***If OEL first became aware of any of the Information or any part thereof before the release of the Clarifying Announcement or Retail Offer Booklet, did OEL rely on the provisions of Listing Rule 3.1A to exclude the Information or any part thereof from disclosure before the release of the Clarifying Announcement on 2 April 2020 or Retail Offer Booklet on 3 April 2020? If so, please outline which provisions of Listing Rule 3.1A and on what basis OEL believed it was able to rely on those provisions not to announce the relevant Information at an earlier time.***

   Refer to OEL's answer to Question 4, above.

6. ***In light of the First Cleansing Statement and the Second Cleansing Statement, does OEL consider any of the Information or any part thereof to be information that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of the assets and liabilities, financial position and performance, profits and losses and prospects of OEL? Please respond to each item separately:***

   - ***The Default Information;***
   - ***The Review Information; or***
   - ***The Financial Covenant and Undertaking Information.***

   In relation to each item of the Information, OEL considers that the market was informed as the existence and general terms of the Facility at all times prior to the Clarifying Announcement, including the disclosure made in the Investor Presentation in the context of the capital raising which had the effect of cleansing the market in relation to the Facility.

7. ***If the answer to any part of question 6 is "no", please advise the basis for that view.***

   Refer to OEL's answer to Questions 1, 2, 4 and 6 above.

8. ***If OEL first became aware of any of the Information or any part thereof before lodging the First Cleansing Statement and the Second Cleansing Statement on MAP, and OEL was relying on the provisions of Listing Rule 3.1A not to disclose the Information, why did OEL state there was no excluded information in the First Cleansing Statement and the Second Cleansing Statement?***

   Not Applicable. Refer to OEL's answer to Question 6, above.

9. ***Please confirm that OEL is complying with the Listing Rules and, in particular, Listing Rule 3.1.***

   OEL confirms that it is complying with the Listing Rules and, in particular, Listing Rule 3.1.

10. ***Please confirm that OEL's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of OEL with delegated authority from the board to respond to ASX on disclosure matters.***

    OEL confirms that its responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy.

1 May 2020

Reference: 17219

Ms Kaitlin Smith
Company Secretary
Otto Energy Limited

By email

Dear Ms Smith

Otto Energy Limited ('OEL'): Aware Query

ASX refers to the following:

A. OEL's announcement entitled "Otto Secures US$55 Million Facility to Fund Developments" lodged on the ASX Market Announcements Platform ("MAP") and released at 8:38 AM (AEDT) on 4 November 2019 disclosing (among other things):

   (a) that OEL had *"entered into a three-year senior secured US$55 million term debt facility with Macquarie Bank Limited"* (the 'Facility'); and

   (b) certain key terms of the Facility, namely:

   - the initial US$35m tranche is committed as follows:
     - US$25m available on facility close (Tranche A1); and
     - an additional US$10m committed and available on successful exploration or commencement of commercial production at Green Canyon 21 (Tranche A2);
   - 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.

B. Note 9 to OEL's Half Year Financial Report for the period ending 31 December 2019 lodged on MAP and released at 7:24 PM (AEDT) on 12 March 2020 disclosing (among other things):

   "On 2nd November 2019, the Company entered into a three-year senior secured US$55 million term debt facility (Facility) with Macquarie Bank Limited (Macquarie). Under the terms of the agreement a Debt Service Reserve Account (DSRA) is required with a balance at 31 December 2019 of at least $5,000,000. The DSRA may only be applied in reduction of the loan."

C. OEL's request for a trading halt on 25 March 2020 in order to conduct a placement and accelerated entitlement issue.

D. OEL's announcement entitled "Otto Announces Equity Raise" lodged on MAP and released at 10:02 AM (AEDT) on 26 March 2020, disclosing (among other things) a A$1.4m placement to sophisticated and institutional investors and a partially underwritten 1 for 1 Accelerated Entitlement Offer of ~A$16.15m to raise a total of ~A$17.5m.

E. The Key Risk's section of OEL's Investor Presentation lodged on MAP and released at 10:05 AM (AEDT) on 26 March 2020, and in particular the following on page 32 of the Presentation:

> *"Otto has entered into a facility agreement with Macquarie Bank Limited (Macquarie). The facility agreement includes various financial covenants and undertakings. Subject to Otto completing the Placement and accelerated component of the Entitlement Offer, it will be compliant with the key financial covenants at that time. In the event Otto does not comply with the terms, covenants and undertakings in the facility agreement it may be in breach of its obligations which would entitle Macquarie to exercise its rights under the facility agreement and attaching securities. In that event, the full amount of the loan may become payable earlier than scheduled and, in those circumstances, Otto may have to find alternative funding arrangements and/or alternative financing to repay the loan. There is no guarantee that alternative funding could be sourced, either at all or on terms acceptable to Otto."*

F. OEL's announcement entitled "Notice under section 708AA(2)(f) of the Corporations Act 2001 (Cth)" lodged on MAP and released at 10:15 AM (AEDT) on 26 March 2020 ("First Cleansing Statement"), disclosing (among other things) that, as at the date of the First Cleansing Statement:

> *"There is no excluded information of the type referred to in sections 708AA(8) and 708AA(9) of the* [Corporations] *Act which is required to be set out in this notice under section 708AA(7)(d) of the Corporations Act."*

G. OEL's announcement entitled "Completion of Placement and Institutional Entitlement Offer" lodged on MAP on 31 March 2020, disclosing (among other things) that OEL had completed a A$1.4m Placement and ~A$6.4m Institutional Entitlement Offer.

H. OEL's announcement entitled "Notice under section 708AA(2)(f) of the Corporations Act 2001 (Cth)" lodged on MAP on 31 March 2020 ("Second Cleansing Statement"), disclosing (among other things) that, as at the date of the Cleansing Statement:

> *"There is no excluded information of the type referred to in sections 708AA(8) and 708AA(9) of the* [Corporations] *Act which is required to be set out in this notice under section 708AA(7)(d) of the Corporations Act."*

I. OEL's announcement entitled "Clarifying Announcement – Investor Presentation" lodged on MAP on 2 April 2020 ("Clarifying Announcement"), disclosing (among other things) that:

> *"Among other conditions, utilisation of the Facility is subject to and conditional on:*
>
> *(a) no event of default occurring and/or*
>
> *(b) no 'review event' occurring, or if it has, the review event being rectified within 30 business days of its occurrence.*
>
> *The events of default under the Facility Agreement are standard for agreements of its nature and include events such as non-payment, failure to satisfy certain financial covenants, non-compliance with finance documents, misrepresentation, cross default and the Company becoming insolvent or an action being brought against it which would have the effect of declaring the Company insolvent, among others.*
>
> *OEL confirms that an event of default has not occurred under the Facility Agreement.*
>
> (the "Default Information")
>
> *A 'review event' will occur if, as at 20 April 2020, the Company has less than $17.5 million cash at bank. The effect of a review event is that the Company has 30 business days to remedy its occurrence prior to Macquarie taking any action under the Facility Agreement. Such review event has not occurred and upon*

the Company completing the Placement and Institutional Entitlement Offer and raising not less than US$7.3 million, the Company does not currently expect a review event to occur at any time in the future.

The Facility Agreement provides that a failure to remedy an event of default or review event (with such review event not having been remedied within 30 business days) does entitle Macquarie to cancel the Facility and declare all amounts owing immediately due and payable, in which case the Company would need to source alternative funding arrangements and/or alternative financing to repay the Facility."

(the "Review Information").

J. OEL's announcement entitled "Retail Offer Booklet" lodged on MAP on 3 April 2020, disclosing (among other things) at pages 77 and 78, that:

"The key financial covenants and undertakings are that the Company is required to have a cash reserve of USD$5 million at all times, and must also have a minimum cash balance of USD$17.5 million at 31 March 2020 (Minimum Liquidity Amount), which includes the USD$5 million cash reserve. By letter dated 24 March 2020, Macquarie and the Company agreed to vary this covenant, such that the Company must satisfy the Minimum Liquidity Amount at 20 April 2020.

(the "Financial Covenant and Undertaking Information").

Subject to Otto completing the Placement and the Institutional Entitlement Offer, it will be compliant with the key financial covenants at that time (see above use of funds).

In the event Otto does not comply with the terms, covenants and undertakings in the facility agreement it may be in breach of its obligations which would entitle Macquarie to exercise its rights under the facility agreement and attaching securities. In that event, the full amount of the debt facility drawn down may become payable earlier than scheduled and, in those circumstances, Otto may have to find alternative funding arrangements and/or alternative financing to repay the debt. There is no guarantee that alternative funding could be sourced, either at all or on terms acceptable to Otto"

K. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.

L. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:

"an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity" and section 4.4 in Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B "When does an entity become aware of information."

M. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

"3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:

3.1A.1 One or more of the following applies:

- *It would be a breach of a law to disclose the information;*
- *The information concerns an incomplete proposal or negotiation;*
- *The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- *The information is generated for the internal management purposes of the entity; or*

- *The information is a trade secret; and*

3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and

3.1A.3 A reasonable person would not expect the information to be disclosed."

N. ASX's policy position on the concept of "confidentiality", which is detailed in section 5.8 of Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B. In particular, the Guidance Note states that:

> *"Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule."*

Request for Information

Having regard to the above, ASX asks OEL to respond separately to each of the following questions and requests for information:

1. Does OEL consider the following information or any part thereof to be information that a reasonable person would expect to have a material effect on the price or value of its securities? Please respond to each item separately.
   - The Default Information;
   - The Review Information, or
   - The Financial Covenant and Undertaking Information.

   (Collectively the 'Information')
2. If the answer to question 1 (or any part thereof) is "no", please advise the basis for that view.
3. When did OEL first become aware of the Information referred to in question 1 or any part thereof? Please respond to each item separately.
4. If OEL first became aware of
   - The Default Information;
   - The Review Information, or
   - The Financial Covenant and Undertaking Information,

   before 2 April 2020, did OEL make any announcement prior to 2 April 2020 which disclosed the Information? If so, please provide details. If not, please explain why this Information was not released to the market at an earlier time, commenting specifically on:
   - when you believe OEL was obliged to release the Information under Listing Rules 3.1 and 3.1A; and
   - what steps OEL took to ensure that the Information was released promptly and without delay.
5. If OEL first became aware of any of the Information or any part thereof before the release of the Clarifying Announcement or Retail Offer Booklet, did OEL rely on the provisions of Listing Rule 3.1A to exclude the Information or any part thereof from disclosure before the release of the Clarifying Announcement on 2 April 2020 or Retail Offer Booklet on 3 April 2020? If so, please outline which provisions of Listing Rule 3.1A and on what basis OEL believed it was able to rely on those provisions not to announce the relevant Information at an earlier time.

6. In light of the First Cleansing Statement and the Second Cleansing Statement, does OEL consider any of the Information or any part thereof to be information that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of the assets and liabilities, financial position and performance, profits and losses and prospects of OEL? Please respond to each item separately:
    - The Default Information;
    - The Review Information, or
    - The Financial Covenant and Undertaking Information
7. If the answer to any part of question 6 is "no", please advise the basis for that view.
8. If OEL first became aware of any of the Information or any part thereof before lodging the First Cleansing Statement and the Second Cleansing Statement on MAP, and OEL was relying on the provisions of Listing Rule 3.1A not to disclose the Information, why did OEL state there was no excluded information in the First Cleansing Statement and the Second Cleansing Statement?
9. Please confirm that OEL is complying with the Listing Rules and, in particular, Listing Rule 3.1.
10. Please confirm that OEL's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of OEL with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **11:00 AM AWST on Wednesday, 6 May 2020**

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, OEL's obligation is to disclose the Information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph and may require OEL to request a trading halt immediately.

If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at **ListingsCompliancePerth@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it

is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to OEL's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that OEL's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Suspension

If you are unable to respond to this letter by the time specified above ASX will likely suspend trading in OEL's securities under Listing Rule 17.3.

Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Yours faithfully

Belinda Giles
Adviser, Listings Compliance (Perth)