

ASX RELEASE  
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## OTTO SECURES US\$55 MILLION FACILITY TO FUND DEVELOPMENTS

Otto Energy (“Otto”) (ASX:OEL) is pleased to announce it has entered into a three-year senior secured US\$55 million term debt facility (**Facility**) with Macquarie Bank Limited (**Macquarie**). This Facility will be used to fund the Company’s current and future developments, including Green Canyon 21, Lightning and any new discoveries arising from the remainder of the current programs.

Following an extensive assessment of bank and non-bank debt financing alternatives both in Australia and abroad, Otto has chosen a funding package from a major financial institution that provides a highly competitive interest rate and terms with flexibility for expansion and repayment.

The initial commitment under the Facility is US\$35 million with an additional US\$20 million subject to further credit approval from Macquarie. First draw down of committed funds is subject to completion of customary conditions precedent which are expected to be satisfied in the coming days.

### Key Terms of the Facility include:

The initial US\$35 million tranche is committed as follows:

- US\$25 million available on facility close (Tranche A1);
- Additional US\$10 million 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.

### Option Issue

In addition to customary upfront fees payable to Macquarie, the Company will issue to Macquarie 42,500,000 options to subscribe for fully paid ordinary shares in the Company at an exercise price of A\$0.08. A further 42,500,000 options will be issued on initial draw of Tranche A2 and will expire four years after issue date. A total of A\$6.8 million will be raised by the Company upon exercise of these options by Macquarie.

Securing this Facility is an important milestone for the Company as the rigorous due diligence process validates the technical merits of Otto’s portfolio of oil and gas assets.

## Hedging

Initially Otto will enter into hedge contracts for approximately 80% of its current forecast net PDP oil production out to September 2022. Thereafter every six months Otto will ensure it has entered into forward hedges in respect of at least 80% of the forecast net PDP oil production. Since the 30 September quarterly report, Otto has added additional hedging via swaps, including 278,631 bbls from November 2019 to December 2021 at prices of between US\$58.50 and US\$54.00 per bbl.

Otto's Managing Director, Matthew Allen, commented:

*"We are excited to finalise a significant financing package from a major financial institution in Macquarie which allows us to immediately progress the Green Canyon 21 development following the successful Bulleit well drilling program completed in August.*

*In addition, the facility is designed to provide significant funding flexibility for further expansion from Otto's growing portfolio of quality assets.*

*The quantum of the proposed Facility and the rigorous due diligence process undertaken gives validation to the quality of Otto's asset suite and its ability to maintain and service appropriate debt levels. The funding facility is an important component in delivering on the strategic goal that Otto is working towards by the end of 2020. The strategic goal of 5,000 boepd will deliver significant shareholder value and is reflected in the 8 cps exercise price attributed to the option package included within this financing facility. "*

## For Further Information:

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## About Otto Energy:

Otto is an ASX-listed oil and gas exploration and production company with a regional focus on North America, including Gulf of Mexico and Alaska. 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 Canyon 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.