

ASX ANNOUNCEMENT

3 April 2019

IMPLEMENTATION OF OIL PRICE HEDGING STRATEGY

- **Otto has implemented a hedging strategy designed to provide a floor price for oil prices whilst retaining exposure to upside**
- **Otto Energy has acquired put options over 111,000 bbls of SM 71 production over the next six months**
- **Put options acquired with a strike price of US\$60/bbl based on the LLS benchmark**
- **Premium of US\$1.75/bbl which totals US\$194,000 based on 111,000 bbls**

Otto Energy ("Otto") (ASX: OEL) is pleased to announce that it has implemented a hedging program in the United States for its SM 71 oil production. The hedging program is designed to provide certainty of cash flows and funding during a period of significant investment in growth projects.

Otto has acquired US\$60/bbl puts over 111,000 bbls of oil production from its interest in the SM 71 oil field. The monthly volumes covered by the put options are between 50% and 70% of the forecast Proved Developed Producing (PDP) production from the field¹.

The puts are based on the LLS benchmark and the premium for the puts is US\$1.75/bbl amounting to a total of US\$194,000, payable up front.

The use of US\$60/bbl strike price put options provide Otto with a minimum price receivable for those barrels. Otto still maintains the upside exposure where the LLS benchmark price achieved is over US\$60/bbl.

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1. PDP forecast is as per the Collarini 30 June 2018 reserves estimation. See the ASX release of 6 August