

ASX ANNOUNCEMENT
16 July 2020

CORPORATE AND OPERATIONAL UPDATE

Otto Energy Limited (ASX: OEL) (**Otto** or the **Company**) provides an update on its corporate and operational activities.

Appointment of Chief Executive Officer

The process to appoint a new Chief Executive Officer is proceeding well. Otto has engaged a Houston-based recruitment firm and initial interest has been strong, with a number of high calibre candidates presented.

Several initial interviews have taken place. Further updates will be provided in due course.

Cost Reduction Initiatives

The Otto Board and management team, led by interim Executive Chairman, Mr John Jetter, has now completed an extensive review of the Company's total cost base in both Australia and the United States. The Company has now implemented a range of cost reductions focused on employment expenses, contracting services, and general administration expenses.

These initiatives are expected to demonstrate a reduction in operating and corporate costs (excluding exploration expenditure and debt service) from approximately US\$7.0M in FY20 to approximately US\$4.5M in FY21. Further cost reduction opportunities are also expected to be pursued.

Hedging

As a result of recent additional hedging put in place, Otto's current production base (exclusive of forecast Green Canyon 21 volumes) is now approximately 70% hedged at an average price of US\$50/bbl for the remainder of calendar year 2020.

Operating Assets and Cashflow

Production and operating revenue from the Company's key projects in South Marsh Island 71 and Lightning Prospect remain robust.

As a result, in combination with the implemented cost reduction initiatives, Otto continues to operate on a monthly net cash flow positive basis.

Green Canyon 21 Update

The development of Green Canyon 21 remains on schedule for first production volumes in late 3Q CY20. All forecast Green Canyon 21 volumes remain unhedged.

Macquarie Facility

Otto entered into a three-year senior secured US\$55.0M term debt facility (**Facility**) with Macquarie Bank Limited (**Macquarie**) to fund developments in November 2019. It subsequently drew fully on Tranche A1 (US\$25.0M) of that facility. The Company has since repaid US\$4.3M of that drawn balance (which now stands at US\$20.7M). Otto expects to make approximately US\$9.2M of principal repayments, and US\$1.7M interest payments, on this facility through FY21. No other payments are expected to be made under this facility during FY21.

The facility is operating as targeted, with the funding having been predominantly applied to development of Green Canyon 21. The Company confirms that it remains comfortably within all its covenants under the facility.

Commenting on the recent activities, Otto Executive Chairman, Mr John Jetter, said: *“It has been a busy couple of months for the Otto team. We strongly believe the cost and hedging initiatives that have been put in place establish a robust base from which Otto can realise the significant value within its operating and development assets portfolio. Our focus going forward will be on very disciplined financial management and being ready to take advantage of value creative opportunities when the energy markets recover.”*

This announcement was authorised for release by the Board of Directors.

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