

# QUARTERLY REPORT

## THREE MONTHS ENDED 31 DECEMBER 2019

### QUARTERLY HIGHLIGHTS FOR OTTO ENERGY LIMITED (ASX:OEL)

#### PRODUCTION

- Otto's hydrocarbon sales for the quarter equated to 1,912 Boe/d, a 27% decrease over the prior quarter. This decrease was due to a planned shut-in of the Green #1 well for the entirety of November and December as a precaution while open hole drilling operations were underway on the Green #2ST well. SM 71 production was also impacted during the month of December 2019 due to the platform being shut-in during the gas compressor upgrade installation.
- Sales revenue for the current quarter was US\$8.0 million, a 16% decrease over the prior quarter as a result of the planned shut-in of production.
- Otto received proceeds of US\$7.9 million, net of royalties, relating to September, October and November 2019 production.
- Maiden Green Canyon 21 Proved and Probable Reserves (2P) of 1.828 MMBoe reported, net to Otto.

#### EXPLORATION AND DEVELOPMENT – GULF OF MEXICO:

- The Green #2ST well reached total depth in December 2019. Petrophysical evaluation of log data indicates 146 feet of net pay over seven different sands. Depending on the porosity and water saturation cutoffs applied, there is the potential for up to an additional 175 feet of net pay. Production from this well is expected to begin in February 2020.
- The operator of the Green #1 well (Hilcorp Energy) has recently increased the choke on the well to increase gross production to 14.3 MMscf/d and over 400 Bbl/d of condensate, with additional upside potential pending pressure stabilization.
- Completion operations continue on schedule for our recently announced Green Canyon 21 discovery, which is expected to commence production late in the third quarter of CY 2020.
- Planned compressor upgrade at South Marsh Island 71 was successfully completed in December, which allows for the wells to be managed in a more consistent, stable manner.
- Flow testing at the Mustang Prospect exploration well has been completed and deemed non-commercial. The well was plugged during the current quarter.

#### CORPORATE / FINANCIAL:

- Closing cash balance of US\$25.7 million (A\$38.1 million)
- Entered into a three-year senior secured US\$55 million term facility with Macquarie Bank Limited. As of December 31, 2019, the Company had drawn US\$22 million against the facility.

**TOTAL PRODUCTION AND REVENUE SUMMARY - QUARTER ENDED 31 DEC 2019**

Production Volumes	Current Quarter	Prior Quarter	Change
<b>Gross (100%)</b>			
Oil (bbls)	264,531	293,788	-10%
Gas (Mscf)	551,296	1,215,212	-55%
NGLs (bbls)	14,040	42,767	-67%
<b>Otto WI Share</b>			
Oil (bbls)	131,002	143,186	-9%
Gas (Mscf)	238,092	492,771	-52%
NGLs (bbls)	5,265	16,038	-67%
<b>Otto NRI Share</b>			
Oil (bbls)	106,211	115,670	-8%
Gas (Mscf)	186,674	379,660	-51%
NGLs (bbls)	3,961	12,066	-67%

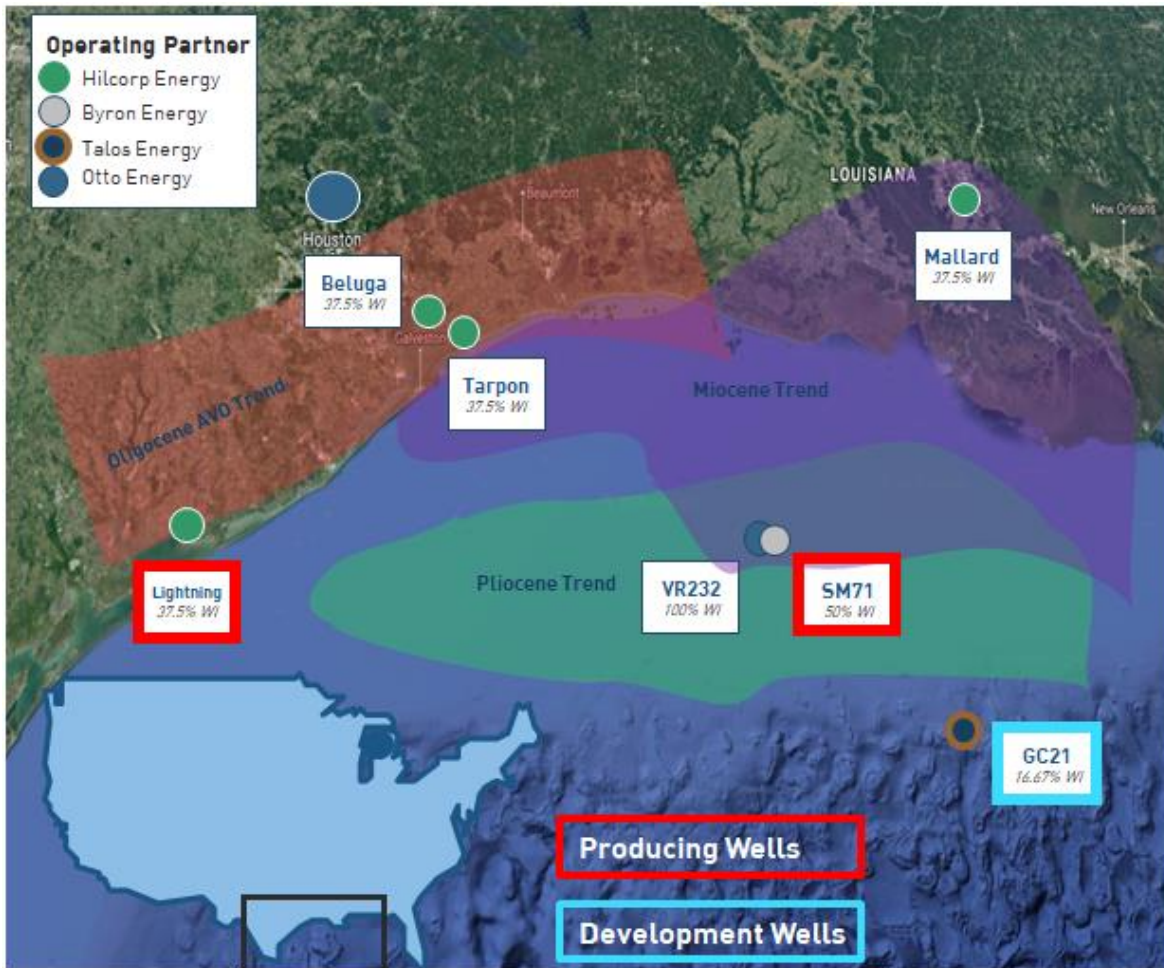
<b>Otto WI Share</b>			
boe/d	1,912	2,623	-27%

Sales Revenue WI share (before royalties) (USD)	Current Quarter	Prior Quarter	Change
Oil - \$'million	7.32	8.20	-11%
Oil - \$ per bbl	55.87	57.29	-2%
Gas - \$'million	0.60	1.1	-45%
Gas - \$ per MMBtu	\$2.43	2.20	10%
NGLs - \$'million	0.08	0.19	-56%
NGLs - \$ per bbl	15.80	11.77	34%

**Otto Energy Projects - Gulf of Mexico**

Metric	SM71	Lightning	Green Canyon 21	Gulf Coast	VR 232
Status	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. 4th well to be drilled during Q1 CY 2020	1 well producing. 2nd well to begin producing during Q1 CY 2020	Commercial oil discovery. Talos to complete well in mid-2020	3-4 wells remaining in Package 1. To be drilled in Q4 CY 2020 and Q1 CY 2021	Adjacent to SM 71. Exploration plans to be determined

**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<sup>2</sup>  
**Water Depth:** 137 feet  
**Otto’s Working Interest:** 50.00% with Byron Energy Inc. (Operator)

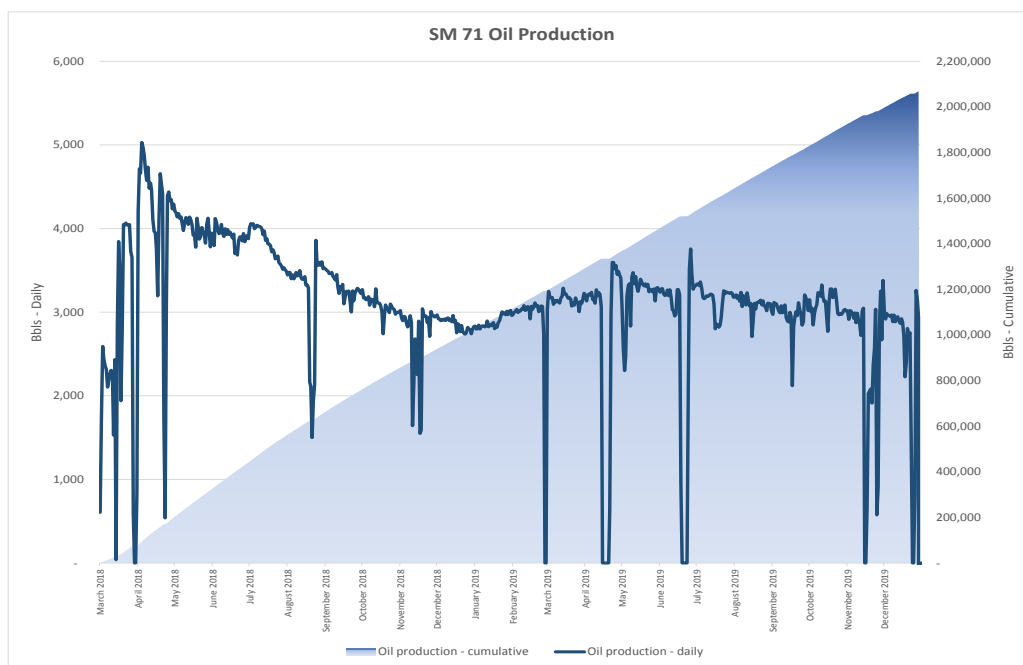
Production from the SM 71 F platform commenced in March 2018. The F1 and F3 wells are producing in the primary D5 Sand reservoir and the F2 well is producing from the B55 Sand.

The operator, Byron Energy is expected to spud the F4 well on a 100% working interest (without Otto participation) during the first quarter of CY 2020. Otto has maintained that the SM71 F5 well, that is not currently the subject of a formal well proposal by the operator, is its preferred target for additional drilling in the field. Otto holds an internal best estimate of 1.30 MMboe of gross recoverable volume in the F5 location with a gross P10 estimate of 1.01 MMboe and a gross upside of 2.73 MMboe.

Otto's decision to not participate in the SM71 F4 well is based on its view that the potential volumes in the F4 location are too small to meet Otto’s internal economic hurdles. Otto will consider proposals to participate in a well to test the SM71 F5 location when proposed by the operator. Otto notes that the upper portion of the SM71 F4 wellbore may be reused for the SM71 F5 or another well, if the SM71 F4 location proves unsuccessful.

As of 31 December 2019, the SM71 F facility has produced approximately 2.015 million barrels of oil (gross) since production began and over 2.85 billion cubic feet of gas (gross).

As of 31 December 2019, the SM71 platform gross production rate was approximately 3,000 barrels of oil per day and 2.950 million cubic feet of gas per day and no water from all three wells. As of the date of this report, daily production rates are consistent with the daily production rates as of 31 December 2019.



**SM 71 PRODUCTION AND REVENUE SUMMARY - QUARTER ENDED 31 DEC 2019**

Production Volumes	Current Quarter *	Prior Quarter	% change
<b>Gross (100%)</b>			
SM 71 – Oil (bbls)	254,422	264,126	-4%
SM 71 – Oil (bopd)	2,765	2,871	-4%
SM 71 – Gas (Mscf)	250,844	296,535	-15%
<b>Otto WI Share (50%)</b>			
SM 71 – Oil (bbls)	127,211	132,063	-4%
SM 71 – Oil (bopd)	1,383	1,435	-4%
SM 71 – Gas (Mscf)	125,422	148,267	-15%
<b>Otto NRI Share (40.625%)</b>			
SM 71 – Oil (bbls)	103,359	107,301	-4%
SM 71 – Oil (bopd)	1,123	1,166	-4%
SM 71 – Gas (Mscf)	101,905	120,467	-15%

Sales Revenue – Otto 50% WI share (before royalties) USD	Current Quarter	Prior Quarter	% change
SM 71 – Oil - \$'million <sup>(1)</sup>	7.11	7.55	-6%
SM 71 – Oil - \$ per bbl	55.90	57.18	-2%
SM 71 – Gas - \$million <sup>(2)</sup>	0.3	0.4	-12%
SM 71 – Gas – \$ per MMbtu	\$2.39	2.29	4%

\* SM 71 reflects lower production in the month of December due a planned shut in for the SM 71 Gas Compressor upgrade.

## Notes

(1). Otto sells its high-quality Louisiana Light Sweet crude (“LLS”) produced at SM 71 at premium to West Texas Intermediate (“WTI”) based on current LLS versus WTI price differentials. Deductions are then applied for transportation, oil shrinkage, basic sediment & water (BS&W), and other applicable adjustments.

(2). Gas revenues include NGLs. Average 1 Mscf = 1.09 MMbtu for the quarter for SM 71 production. The thermal content of SM 71 gas may vary over time.

## PRODUCTION AND DEVELOPMENT (con't)

### TEXAS/GULF OF MEXICO – LIGHTNING FIELD

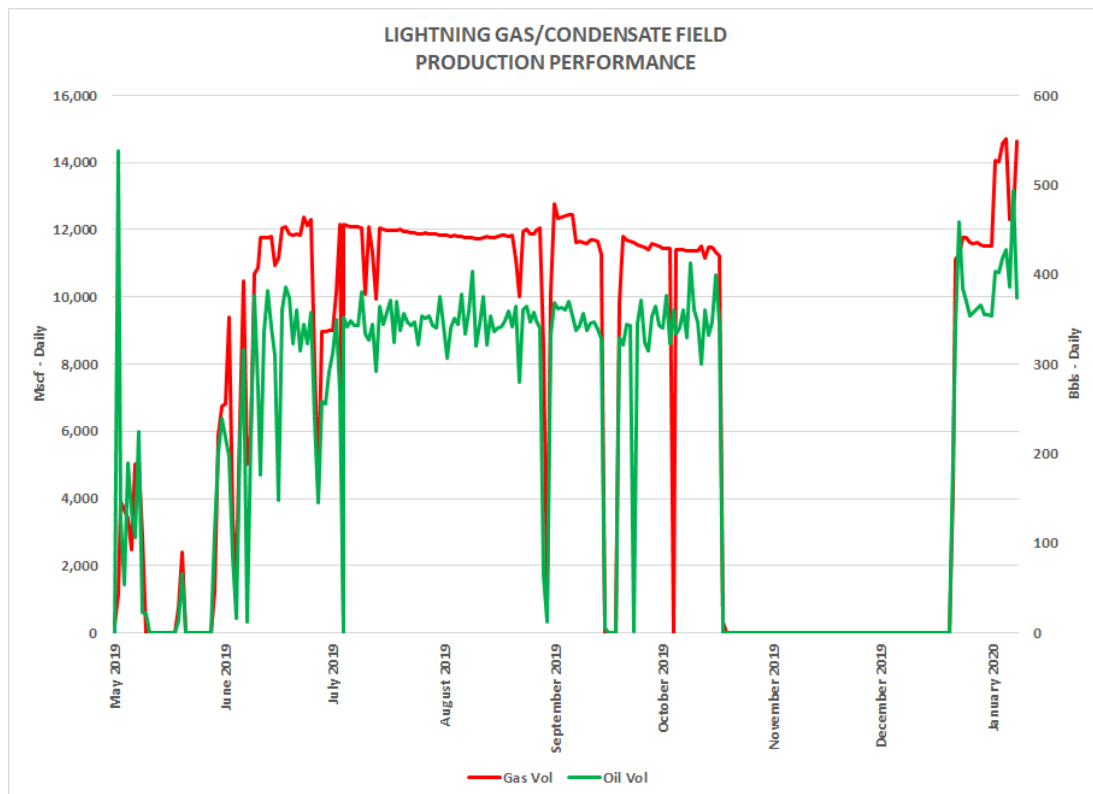
**Location:** Onshore Matagorda County, Texas  
**Otto's Working Interest:** 37.50% - Hilcorp Energy (62.50% and Operator)

The first well in this field, the Green #1, commenced production during the second quarter of CY 2019, with the first full month of production occurring in July 2019. The Green #1 well is currently producing 14.3 MMscf/day in raw gas and over 400 bbl/day in condensate. Otto's 37.5% Working Interest share of this is 5.4 MMscf/d and 150 bbl/d.

While drilling the Green #2 development well during the fourth quarter of CY 2019, challenging downhole conditions in the open-hole portion of the well resulted in the commencement of a sidetrack out of the casing and to the same planned bottom hole location and total depth as the original Green #2 well.

The Green #2ST well reached total depth in late-December. The operator, Hilcorp Energy, obtained encouraging Quad-combo LWD (Logging while drilling) Gamma Ray, Resistivity, Density and Neutron Porosity over the target intervals which are similar in character and potentially greater in thickness than the initial responses in the Green #1 productive well.

Petrophysical evaluation of log data indicates 146 feet of net pay over seven different sands. Depending on the porosity and water saturation cut-offs applied, there is the potential for up to an additional 175 feet of net pay. Production from this well is expected to begin in February 2020.





**LIGHTNING PRODUCTION AND REVENUE SUMMARY - QUARTER ENDED 31 DEC 2019**

Production Volumes	Current Quarter *	Prior Quarter	% change
<b>Gross (100%)</b>			
Lightning – Oil (bbls)	10,110	29,661	-66%
Lightning – Gas (Mscf)	300,452	918,677	-67%
Lightning – NGLs (bbls)	14,040	42,767	-67%
<b>Otto WI Share (37.5%)</b>			
Lightning – Oil (bbls)	3,791	11,123	-66%
Lightning – Gas (Mscf)	112,670	344,504	-67%
Lightning – NGLs (bbls)	5,265	16,038	-67%
<b>Otto NRI Share (28.2%)</b>			
Lightning – Oil (bbls)	2,852	8,369	-66%
Lightning – Gas (Mscf)	84,769	259,193	-67%
Lightning – NGLs (bbls)	3,961	12,066	-67%

Sales Revenue – Otto 37.5% WI share (before royalties) USD	Current Quarter	Prior Quarter	% change
Oil - \$'million	0.21	0.65	-68%
Oil - \$ per bbl	54.64	58.49	-7%
Gas - \$'million	0.27	0.73	-62%
Gas - \$ per MMbtu	2.48	2.16	15%
NGLs - \$'million	0.08	0.19	-56%
NGLs - \$ per bbl	15.80	11.77	34%

\* Green #1 well was shut in as part of a planned shut-in for the entirety of November and December 2019 as a precaution due to the operations on the Green #2 well.

## PRODUCTION AND DEVELOPMENT (con't)

### GULF OF MEXICO – GREEN CANYON 21

<b>Location:</b>	Offshore, Gulf of Mexico
<b>Water Depth:</b>	1,200 feet
<b>Otto's Working Interest:</b>	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. During the quarter, offshore decommissioning at the GC18A platform was undertaken with offshore installation to commence in Q1 CY 2020. Procurement of subsea pipelines and associated equipment was undertaken during the quarter in preparation for offshore installation to commence in late Q2 CY 2020.

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

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

The remaining wells in the Package 1 program are all currently in various stages of preparation, with securing of key drilling permits being the delay in the commencement of drilling. In the case of the Beluga and Tarpon wells, permits required from the regulator have been in progress for several months with no final resolution to date. In the case of the Mallard well, land use access for pipelines has been delaying the commencement of drilling. The operator has not been able to secure a land use permit from the landowner for the Oil Lake prospect and the drilling of this prospect will 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
Oil Lake, LA	37.5%	29.06%	14,500	45%	0.3	1.0	1.3	2.7

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<sup>2</sup>  
**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**

<b>Location:</b>	Onshore North Slope Alaska
<b>Area:</b>	92 km <sup>2</sup>
<b>Otto's Interest:</b>	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**

<b>Location:</b>	Onshore North Slope Alaska
<b>Area:</b>	624.4 km <sup>2</sup>
<b>Otto's Interest:</b>	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").

Pantheon acquired Great Bear Petroleum Ventures I LLC and Great Bear Petroleum Ventures II LLC (collectively: Great Bear) in 2018.

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 December Quarter 2019.

## CORPORATE

### CASH FLOWS

Otto's cash on hand at the end of the quarter was US\$25.7 million (September 2019: US\$8.8 million). During the December quarter, Otto received US\$7.9 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. December SM 71 production cashflows of US\$2.2 million (before royalties) were received in January 2020.

### CREDIT FACILITY

On 2 November 2019, the Company entered into a three-year senior secured US\$55 million 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. The initial commitment under the Facility is US\$35 million with an additional US\$20 million subject to further credit approval from Macquarie. The Company currently has US\$22 million drawn under the facility with an interest rate of LIBOR plus 8.0% per annum. Quarterly principal repayments commence on 31 March 2020. The Facility is secured by substantially all of the Company's assets.

### COMMODITY PRICE RISK MANAGEMENT

In connection with the Macquarie Credit Facility, the Company implemented a new hedging program which replaces the program previously announced on 3 April 2019. Under this new hedging program, the Company is required to hedge at least 80% of the Net Proved Developed Producing ("PDP") Oil Reserves specified in the latest reserve report provided to Macquarie.

At quarter end 31 December 2019 Otto had a total hedge book of 371,205 barrels of oil hedged through September 2022 via swaps, at a weighted average LLS price of \$55.61 as follows:

Months	Volume (Bbls)	Weighted Avg Price (LLS)
January – December 2020	216,824	\$56.63
January – December 2021	110,821	\$54.26
January – September 2022	43,560	\$54.00

**CORPORATE (Continued)****SHAREHOLDERS****Otto's issued capital as at 31 December 2019:**

Class	Number
Fully paid ordinary shares	2,460,464,725
Convertible Notes	-
Options (A\$0.08)	42,500,000
Performance Rights	36,617,000

**Otto's Top 20 Holders as at 31 December 2019:**

Rank	Name	Units	% of Units
1	Perennial Value Management	368,723,422	14.99%
2	Molton Holdings Limited	305,859,422	12.43%
3	Citicorp Nominees Pty Limited	131,588,317	5.35%
4	BNP Paribas Nominees Pty Ltd. <IB AU NOMS RETAIL CLIENT>	87,574,652	3.56%
5	National Nominees Pty Limited	86,841,895	3.53%
6	BNP Paribas Nominees Pty Ltd. <AGENCY LENDING DRP A/C>	64,515,332	2.62%
7	J P Morgan Nominees Australia Limited	53,614,368	2.18%
8	Merrill Lynch (Australia) Nominees Pty Limited	37,128,241	1.51%
9	BNP Paribas Noms Pty Ltd	36,484,417	1.48%
10	AMP Life Limited	31,249,508	1.27%
11	Mr. John Jetter	28,940,834	1.18%
12	Mr. Jamie Pherous <BLACK DUCK HOLDINGS A/C>	20,000,000	0.81%
13	Nero Resource Fund Pty Ltd	19,049,153	0.77%
14	National Nominees Limited <DB A/C>	15,194,064	0.62%
15	Mr. William George Williams	14,515,905	0.59%
16	Black Gold Exploration P/L	14,250,000	0.58%
17	DBS Vickers Securities (Singapore) Pte Ltd <CLIENT ACCOUNT>	13,520,833	0.55%
18	Mr. John Philip Daniels	13,150,000	0.53%
19	JPMSAL	12,952,869	0.53%
20	Mr. Matthew Gerard Allen	10,770,801	0.44%
<b>Total Top 20 Shareholders</b>		<b>1,388,867,538</b>	<b>56.45%</b>
Total Remaining Shareholders		1,071,597,187	43.55%
<b>Total Shares on Issue</b>		<b>2,460,464,725</b>	<b>100.0%</b>

## 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

Ian Boserio - Non-Executive Chairman  
Matthew Allen - Managing Director & CEO  
John Jetter - Non-Executive  
Paul Senyca - Non-Executive  
Kevin Small - Executive Director

### Chief Financial Officer

Sergio Castro

### Company Secretary:

Kaitlin Smith (AE Administrative Services)

ASX Code: OEL

### CONTACTS

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West Perth WA 6005 Australia

### INVESTOR RELATIONS:

Mark Lindh (Adelaide Equity Partners)

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## 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](http://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 probabilistic 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
- "Mbbbl" 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 and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

**Name of entity**

Otto Energy Limited

**ABN**

56 107 555 046

**Quarter ended ("current quarter")**

31 December 2019

<b>Consolidated statement of cash flows</b>	<b>Current quarter US\$'000</b>	<b>Year to date (12 months) US\$'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers (net of royalties)*	7,900	14,710
1.2 Payments for		
(a) exploration & evaluation	(7,544)	(10,384)
(b) development	(1,431)	(1,431)
(c) production	(594)	(1,564)
(d) staff costs	(749)	(1,412)
(e) administration and corporate costs	(418)	(801)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	14	24
1.5 Interest and other costs of finance paid**	-	(481)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	74	74
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(2,748)</b>	<b>(1,265)</b>

\*SM 71 receipts of US\$7,856,951 less royalties of US\$966,131 and Lightning net receipts of US\$1,009,458

Consolidated statement of cash flows	Current quarter US\$'000	Year to date (12 months) US\$'000
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(44)	(55)
(b) tenements (see item 10)		-
(c) investments		-
(d) other non-current assets		-
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment		-
(b) tenements (see item 10)		-
(c) investments		-
(d) 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)		-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(44)</b>	<b>(55)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes		-
3.3 Proceeds from exercise of share options		-
3.4 Transaction costs related to issues of shares, convertible notes or options		-
3.5 Proceeds from borrowings	22,000	22,000
3.6 Repayment of borrowings		-
3.7 Transaction costs related to loans and borrowings	(2,288)	(2,332)
3.8 Dividends paid		-
3.9 Other (provide details if material)		-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>19,712</b>	<b>19,668</b>

<b>Consolidated statement of cash flows</b>		<b>Current quarter US\$'000</b>	<b>Year to date (12 months) US\$'000</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	8,793	7,383
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,748)	(1,265)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(44)	(55)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	19,712	19,668
4.5	Effect of movement in exchange rates on cash held	6	(12)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>25,719</b>	<b>25,719</b>
<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter US\$'000</b>	<b>Previous quarter US\$'000</b>
5.1	Bank balances	25,719	8,793
5.2	Call deposits		-
5.3	Bank overdrafts		-
5.4	Other (provide details)		-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>25,719</b>	<b>8,793</b>

**6. Payments to directors of the entity and their associates**

Current quarter US\$'000
265
-

6.1 Aggregate amount of payments to these parties included in item 1.2

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Directors fees including superannuation where applicable

	<u>US\$'000</u>
Executive Directors	194
Non-Executive Directors	<u>71</u>
Total	<u>265</u>

**7. Payments to related entities of the entity and their associates**

Current quarter US\$'000
-
-

7.1 Aggregate amount of payments to these parties included in item 1.2

7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end US\$'000	Amount drawn at quarter end US\$'000
8.1 Loan facilities	55,000	22,000
8.2 Credit standby arrangements	-	-
8.3 Other	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Otto Energy has entered into a three-year senior secured US\$55 million term debt facility (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

**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.

9. <b>Estimated cash outflows for next quarter</b>	US\$'000
9.1 Exploration and evaluation	0
9.2 Development	9,300
9.3 Production	1,054
9.4 Staff costs	727
9.5 Administration and corporate costs	676
9.6 Other – Finance Facility principal and interest payments	2,700
<b>9.7 Total estimated cash outflows</b>	<b>14,457</b>



## Mining exploration entity and oil and gas exploration entity quarterly report

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2	Interests in mining tenements and petroleum tenements acquired or increased	Mustang, Corsair, Hellcat prospect  Chambers County, TX	Mineral Leases Working Interest acquired.	Nil	854 acres

The Hilcorp Gulf Coast undrilled prospects are rights to earn in to leases and not yet interests so won't be included in the above until the earn in has occurred.

### 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.



Sign here: \_\_\_\_\_

Date: 31 January 2020

Company Secretary

Print name: Kaitlin Smith

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.