

## ASX ANNOUNCEMENT

24 January 2019

# ASX WAIVER GRANTED – CONVERTIBLE NOTES AMENDMENT

The Board of Otto Energy Limited (ASX:OEL) (“Otto” or the “Company”) is pleased to advise that ASX has granted a waiver of ASX Listing Rule 10.1 in accordance with the amendment to the key terms of the Company’s convertible notes held by Molton.

As announced to the market on 17 December 2018, the Company has executed an amendment deed with the holders of the 8.2 million convertible notes (“Noteholders”) whereby Otto has the option to extend the term of the 8 million notes held by Molton for a year to 30 June 2020. In addition to the extension option, Noteholders have also agreed to a waiver of any restrictions on the use of existing cash balances and SM 71 proceeds through to 30 June 2019. This provides Otto with increased certainty and flexibility to fund its 2019 exploration program.

The waiver granted by ASX permits Otto and its subsidiaries not to seek shareholder approval in relation to the deed of amendment between the Company and the Noteholders, on the following conditions:

- A summary of the material terms of the Convertible Notes and the share mortgage over the shares in Otto Energy (Louisiana) LLC, Otto (Gulf One) LLC and Otto (Gulf Two) LLC (‘Share Mortgage’) under the pledge agreement entered into between, among others, the Noteholders, the Bank of New York Mellon and Otto Energy (USA) Inc., is made in each annual report of the Company during the term of the Share Mortgage.
- The Share Mortgage expressly provides that:
  - The Share Mortgage is limited to the funds due under the Convertible Notes.
  - The Share Mortgage will be discharged when the funds due under the Convertible Notes have been repaid in full.
- If the Share Mortgage is enforced, the assets can only be disposed of to Molton or its associate(s) if the disposal is first approved by shareholders under Listing Rule 10.1.
- If Molton exercises, or appoints a receiver, receiver and manager or analogous person to exercise, any power of sale under the Share Mortgage, the assets must be sold to an unrelated third party on arm’s length commercial terms and the net proceeds of sale distributed to Molton in accordance with its legal entitlements.
- Any variation to the terms of the Convertible Notes or the Share Mortgage which is:
  - not a minor change; or
  - inconsistent with the terms of the waiver,must be subject to shareholder approval.
- The Company and the Noteholders must seek to discharge the Share Mortgage when the funds advanced under the Convertible Notes are either repaid to the Noteholders or converted into shares, or if it is not discharged, seek shareholder approval for the continuation of the Share Mortgage for a further period.

The Company has elected to obtain accommodation from Molton (a Listing Rule 10.1 party), rather than a lender which is not a Listing Rule 10.1 party because at the time the Board considered it was in the best interests of shareholders to extend the maturity date of the Convertible Notes, rather than put the Company to the expense of obtaining additional debt funding based on the terms available in the market. The accommodation also permits proceeds from the Company's SM 71 project to be used in an unrestricted manner up to 30 June 2019, unlike previously.

Based on the above, the Board considers the amendments made to the Convertible Notes terms and conditions to be fair and reasonable from the perspective of the Company's shareholders, and notes that negotiations took place on an arm's length basis.

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