

ASX ANNOUNCEMENT
17 December 2018

AMENDMENT TO KEY TERMS OF CONVERTIBLE NOTE

- **Otto has secured an option to extend the maturity date from 30 June 2019 to 30 June 2020**
- **Provides increased certainty and flexibility for funding the eight well exploration program in 2019**
- **Waiver of all current cash restrictions until 30 June 2019**
- **Amendment is subject to a waiver from ASX or shareholder approval**

Otto Energy Limited (ASX:OEL) (“Otto” or the “Company”) is pleased to advise that it 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 will provide Otto with increased certainty and flexibility to fund its 2019 exploration program.

The above terms are conditional on either a waiver from the ASX of the need for shareholder approval (in accordance with Listing Rule 10.1), or shareholder approval, by 31 March 2019. An amendment fee of US\$200,000 is payable and a further fee of up to US\$200,000 is payable if the convertible note is extended beyond 30 June 2019.

Please see Attachment 1 for the key terms of the amendment deed.

The issue of the convertible notes, and the grant of security over certain assets of Otto in relation to those notes, was approved by shareholders at the extraordinary general meeting of the Company on 25 July 2017. Refer to the Notice of Meeting dated 23 June 2017 for a summary of the terms of the Notes.

Otto’s Managing Director, Matthew Allen, commented: *“We are very pleased to have been able to negotiate this amendment with our largest shareholder, Molton Holdings. Subject to the satisfaction of the condition precedent, the amendment provides Otto with increased certainty and flexibility to progress our significant eight well drilling program in 2019.*

“We now look forward to the results from the current drilling of Lightning and commencing drilling Winx-1 in Alaska and Don Julio 2 in February 2019.”

www.ottoenergy.com

<p>Contact: Matthew Allen Managing Director & CEO +61 8 6467 8800 info@ottoenergy.com</p>	<p>Investor Relations: Mark Lindh Adelaide Equity Partners +61 8 8232 8800</p>
--	--

Attachment 1

The key terms of the amendment deed are as follows:

1. Otto has the option to extend the Maturity Date of the 8,000,000 Molton convertible notes by one year to 30 June 2020 by electing to do so before 17 June 2019;
2. Molton to receive a US\$200,000 fee on the earlier of them reducing their note holding to zero (through transfer, redemption or conversion) or 30 June 2019;
3. In the event Otto elects to extend the Maturity Date:
 - a) a second fee of up to US\$200,000 will be payable to the holder(s) of the Molton notes at 1 July 2019 on the basis of US\$0.025/12 per note held for each month the notes are held between July 2019 and 30 June 2020;
 - b) the restriction on use of SM 71 proceeds will cease being suspended and will be in effect again from 1 July 2019. The lockup will start from zero and build up with SM 71 net cashflows on the same terms as is currently in place. If the extension does not occur, the restriction is suspended through to maturity at 30 June 2019.
4. Immediate suspension of the restriction on use of SM 71 proceeds;
5. The above terms are conditional on either a waiver from the ASX of the need for shareholder approval (in accordance with Listing Rule 10.1), or shareholder approval, by 31 March 2019.
6. Should the Condition Precedent at point 5 not be achieved, the amendment is not binding and the suspension of the restriction on use of SM 71 proceeds in 1 above will cease and the restriction will be in effect again from 1 April 2019.
7. All other aspects of the original agreement remain the same.
8. John Jetter has approved the amendment as a Noteholder, but the amendment terms do not apply to his 200,000 notes.

The security (being a share mortgage over the shares held by Otto in Otto Louisiana) which was the subject of shareholder approval at the meeting on 25 July 2017, will continue to apply to the Molton notes, including for the extended Maturity Date (should the option to extend be exercised).