

The Manager
Market Announcements Office
Australian Securities Exchange
Level 40, Central Park
152-158 St Georges Terrace
PERTH WA 6000

26 March 2020

Dear Sir / Madam

Notice under section 708AA(2)(f) of the *Corporations Act 2001* (Cth)

Otto Energy Limited (ACN 107 555 046) (**the Company** or **Otto**; **ASX:OEL**) has today announced that it is finalising an institutional placement (**Placement**) and is undertaking a partially underwritten accelerated non-renounceable pro rata entitlement offer (**Entitlement Offer**) to raise up to a total of approximately A\$17.5 million (before associated costs) (together, the **Offer**).

Under the Placement, the Company has received commitments for approximately A\$1.387 million (before associated costs) by the proposed issue of 231,109,326 fully paid Otto shares at a price of \$0.006. The Placement is scheduled to complete later today, 26 March 2020.

The Entitlement Offer will comprise an accelerated institutional component (**Institutional Entitlement Offer**) and a retail component (**Retail Entitlement Offer**). The Institutional Entitlement Offer will open tomorrow, 27 March 2020 and close at 12:00pm (AEDT) 30 March 2020. During this time, Euroz Securities Limited (**Underwriter**) will seek investment from sophisticated and institutional investors.

Under the Retail Entitlement Offer, eligible shareholders with addresses in Australia, New Zealand, Singapore, Hong Kong, British Virgin Islands, United Kingdom and Cambodia (**Eligible Shareholders**) will be invited to subscribe for 1 new fully paid Otto share (**New Share**) for every 1 Otto share held as at the Record Date, being 5.00pm (AEDT) on Tuesday, 31 March 2020 at an issue price of \$0.006 per New Share (**Offer Price**).

The Retail Entitlement Offer opens on Friday, 3 April 2020 and closes on Thursday, 16 April 2020.

Investors who apply for New Shares under the Institutional Entitlement Offer are also Eligible Shareholders.

Further details regarding the Placement and Entitlement Offer are set out in the ASX announcement and Investor Presentation released earlier today (26 March 2020). Capitalised terms in this notice have the same meaning as set out in that announcement, unless the context requires otherwise.

The Company hereby notifies ASX under section 708AA(2)(f) of the *Corporations Act 2001* (Cth) (the **Act**) as modified by the Australian Securities and Investments Commission Corporations (Non-Traditional Rights Issues) Instrument 2016/84.

Otto confirms that:

- (a) the New Shares will be offered for issue without disclosure to investors under Part 6D.2 of the Act;
- (b) as at the date of this notice, Otto has complied with:
 - (i) the provisions of Chapter 2M of the Act as they apply to Otto; and

- (ii) section 674 of the Act;
- (c) as at the date of this notice, there is no excluded information of the type referred to in sections 708AA(8) and 708AA(9) of the Act which is required to be set out in this notice under section 708AA(7)(d) of the Corporations Act; and
- (d) the potential effect the Entitlement Offer will have on the control of Otto, and the consequences of that effect, is set out below.

Potential Control Effect

The potential effect the Placement and Entitlement Offer will have on the control of Otto, and the consequences of that effect will depend on a number of factors including the number of New Shares taken up by Eligible Shareholders (including under the uncapped top up facility available under the Retail Entitlement Offer) and the number of Entitlements placed to institutional and/or sophisticated investors under the Institutional Bookbuild (defined below).

The Entitlement Offer is partially underwritten by the Underwriter up to a maximum of \$10,613,344 (**Underwritten Amount**). The Underwriter has entered into a sub-underwriting agreement in respect of the Entitlement Offer with Molton (the **Sub-underwriter**).

The arrangement between the Underwriter and the Sub-underwriter is that Molton have made a firm commitment for a total of \$10,613,344 including a commitment to take up their entitlements for \$3,221,814 and to sub-underwrite up to a maximum of \$7,391,530.

Additionally, to the extent that the Sub-underwriter (and their various associates) hold shares in the Company at the Record Date, and subject to other terms and conditions under the sub-underwriting agreement, the Sub-underwriter has agreed to take up their full Entitlements.

As at the date of this notice, the Sub-underwriter holds an interest in 12.43% of the voting shares in the Company, and following completion of the Placement will hold an interest in 19.95% of the voting shares in the Company.

Eligible Retail Shareholders may apply for Shares under an uncapped top-up facility (**Top-up Shares**) being offered in addition to the Retail Entitlement Offer. Under the top-up facility, Eligible Retail Shareholders may apply for additional Top-up Shares in addition to their Entitlements upon taking up their full Entitlement under the Retail Entitlement Offer. The issue price for each Top-Up Share shall be the Offer Price.

The Company notes that no New Shares will be issued under the Entitlement Offer (including via the Institutional Bookbuild or via the top-up facility) if the issue of New Shares would contravene the Act. Similarly, no New Shares will be issued via the Institutional Bookbuild or via the top-up facility to any related parties of the Company.

Any Entitlement not taken up pursuant to the Institutional Entitlement Offer, along with all Entitlements of Ineligible Shareholders will form the **Institutional Bookbuild**. To the extent that any Entitlements are not then placed via the Institutional Bookbuild, they will be allocated to the Underwriter as underwriter and to the Sub-underwriters as sub-underwriters.

Any Entitlement not taken up pursuant to the Retail Entitlement Offer and the Top-up Facility will be allocated to the Underwriter as underwriter and to the Sub-underwriters as sub-underwriters.

The Underwriter shall not be allocated any New Shares that may result in the Underwriter and the Sub-underwriters, collectively, being allocated New Shares in excess of the Underwritten Amount.

The Underwriter is not presently a shareholder of the Company and is not a related party of the Company for the purpose of the Corporations Act.

Some further commentary about the effect of the Offer on control of the Company is as follows:

- (a) if all Eligible Shareholders take up their full Entitlement under the Entitlement Offer, then the Entitlement Offer will have no significant effect on the control of the Company;
- (b) the proportional interests of shareholders who are not Eligible Shareholders will be diluted because such shareholders are not entitled to participate in the Entitlement Offer;
- (c) Shareholders should note that if they do not participate in the Entitlement Offer, their holdings are likely to be diluted by approximately 54%;
- (d) Depending on the outcome of the Entitlement Offer (and the Placement) and assuming that Molton takes up all of its Entitlements under the Entitlement Offer, it is likely that Molton may increase its voting power in the Company to above 20%;
- (e) The table below sets out Molton's voting power in the Company as at the Record Date and the potential increase to its voting power under several scenarios relating to the percentage acceptance of Entitlements under the Offer. This table assumes Molton always takes up its Entitlement as a shareholder in the Company; and
- (f) The Board has actively taken steps to minimise the control effect of the Entitlement Offer by encouraging institutional and sophisticated investors to take further shares in the Institutional Bookbuild and has encouraged Eligible Shareholders to take up Top-up Shares.

Event	Number of Shares held by Molton and its associates ¹	Voting power of Molton ¹
As at the Record Date	536,969,023	19.95%
75% take up from Eligible Shareholders (excluding Molton and associates)	1,612,589,303	29.96%
50% take up from Eligible Shareholders (excluding Molton and associates)	2,151,240,560	39.96%
25% take up from Eligible Shareholders (excluding Molton and associates)	2,305,859,697	46.13%
0% take up from Eligible Shareholders (excluding Molton and associates) ²	2,305,859,697	51.70%

Notes:

1. Based on a total of 2,691,574,051 Shares on issue following the issue of the Placement Shares and 5,383,148,102 Shares on issue following completion of the Offer (including the issue of the Placement Shares).
2. The Company considers this to be an unlikely scenario on the basis that:
 - (a) the Directors have confirmed their present intentions to take up their full Entitlements; and

- (b) the Company has in place a dispersion policy which is expected to materially reduce the number of Shortfall Shares, namely it is conducting an Institutional Bookbuild under which institutional investors can subscribe for shares beyond their entitlement and an uncapped top-up facility for Retail Investors to subscribe for shares beyond their entitlement.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Kaitlin Smith".

Kaitlin Smith
Company Secretary
Otto Energy Limited

This release is authorized by the Board of Directors.

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