

QUARTERLY REPORT

THREE MONTHS ENDED 31 DECEMBER 2020

SUMMARY PRODUCTION VOLUMES TABLE (WI)

	31-Dec-20	30-Sep-20	% change	30-Jun-20	31-Mar-20
Total Oil (Bbls)	138,758	129,822	7%	122,084	119,539
Total Gas (Mcf)	800,233	727,957	10%	811,432	617,814
Total NGLs (Bbls)	24,941	16,301	53%	24,806	24,507
Total BOE	297,071	267,449	11%	282,129	247,015
Total (Boe/d)	3,229	2,907	11%	3,100	2,714
Percent Liquids (%)	55%	55%	1%	52%	58%
Total WI Revenue (US\$MM)	\$ 7.8	\$ 6.6	19%	\$ 4.4	\$ 6.9

2Q FY 2021 HIGHLIGHTS

STRATEGIC DELIVERY:

- Development and board-approved release of updated Otto strategic plan outlined at 19 November 2020 AGM, which is built upon three pillars:
- **Pillar 1 – Base asset delivery excellence**
 - Base production from South Marsh 71 (SM 71) and Lightning continue to produce at or above expectations and further benefited from reduced weather and maintenance related outages, as hurricane season came to an end.
 - Green Canyon 21 “Bulleit” well (GC 21) commenced production on 15 October 2020, albeit at lower rates than initially expected. Partners continue to assess future well interventions and/or recompletion plans.
- **Pillar 2 – Organic growth within existing base**
 - No capital expenditures against plan during the current quarter.
 - Resource progression at SM 71 and Lightning targeted for FY2022.
- **Pillar 3 – Inorganic growth via opportunity capture to enhance value.**
 - The final well in the Hilcorp exploration program, Beluga, was drilled in October 2020 and ultimately plugged and abandoned after sub-commercial quantities of hydrocarbons were encountered. The final cost to Otto was \$1.8 million which has been fully paid.
 - Post-closing of the quarter, as announced on 20 January 2021, the Company successfully sold its Borealis Alaska LLC subsidiary to Pantheon Resources Plc for 14,272,592 shares in Pantheon stock (London Stock Exchange: PANR).

FINANCIAL DELIVERY:

- **Revenue - 19%** increase in revenues due to greater production and higher commodity prices for the quarter.
- **Capex investments** - GC 21 costs currently estimated at \$39.2 million, with \$34.3 million paid as at 31 December 2020 and an additional \$1.8 million paid in January 2021. Remaining estimated costs of \$3.1 million are expected to be paid by the end of Q3 FY21.
- **Opex cost management –**
 - **27%** reduction in field lifting costs versus budget for the December quarter.
 - **36%** reduction in non-field lifting costs (which included a one-time final seismic licensing payment of approximately \$0.4 million), compared to the December 2019 quarter, driven by multiple areas of targeted reduction, including administrative, licensing, legal and advisory/consultant costs.
- **Hedge gains** – US\$0.4 million realised during the December quarter, via the Company’s 80% of PDP hedging program.

LIQUIDITY:

- Cash balance at the end of the December quarter was US\$9.7 million.
- Debt balance reduced by US\$2.3 million during the quarter to US\$16.1 million.
- Post-closing of the quarter, on 21 January 2021, the Company announced that its credit facility had been amended to:
 - Extend Tranche A2 (US\$10 million) out until 31 March 2022
 - Establish the timing for a GC 21 mitigation plan to be developed and implemented (by 31 July 2021)
 - Establish a minimum quarterly average production requirement of 1,900 boepd until the GC 21 mitigation is completed (Otto Net WI volume)

COMMENT FROM CHAIRMAN & CEO, MR. MICHAEL UTSLER

“The past four months since joining Otto have been an intensive period of reframing the Company’s strategy, while developing the processes for creating greater clarity and transparency in the Company’s performance. I have quickly come to realize that Otto has an outstanding set of base assets on which to build its future. Our strategy of maximizing our base performance, while optimizing organic and inorganic growth, will create real value returns to our shareholders over time.”

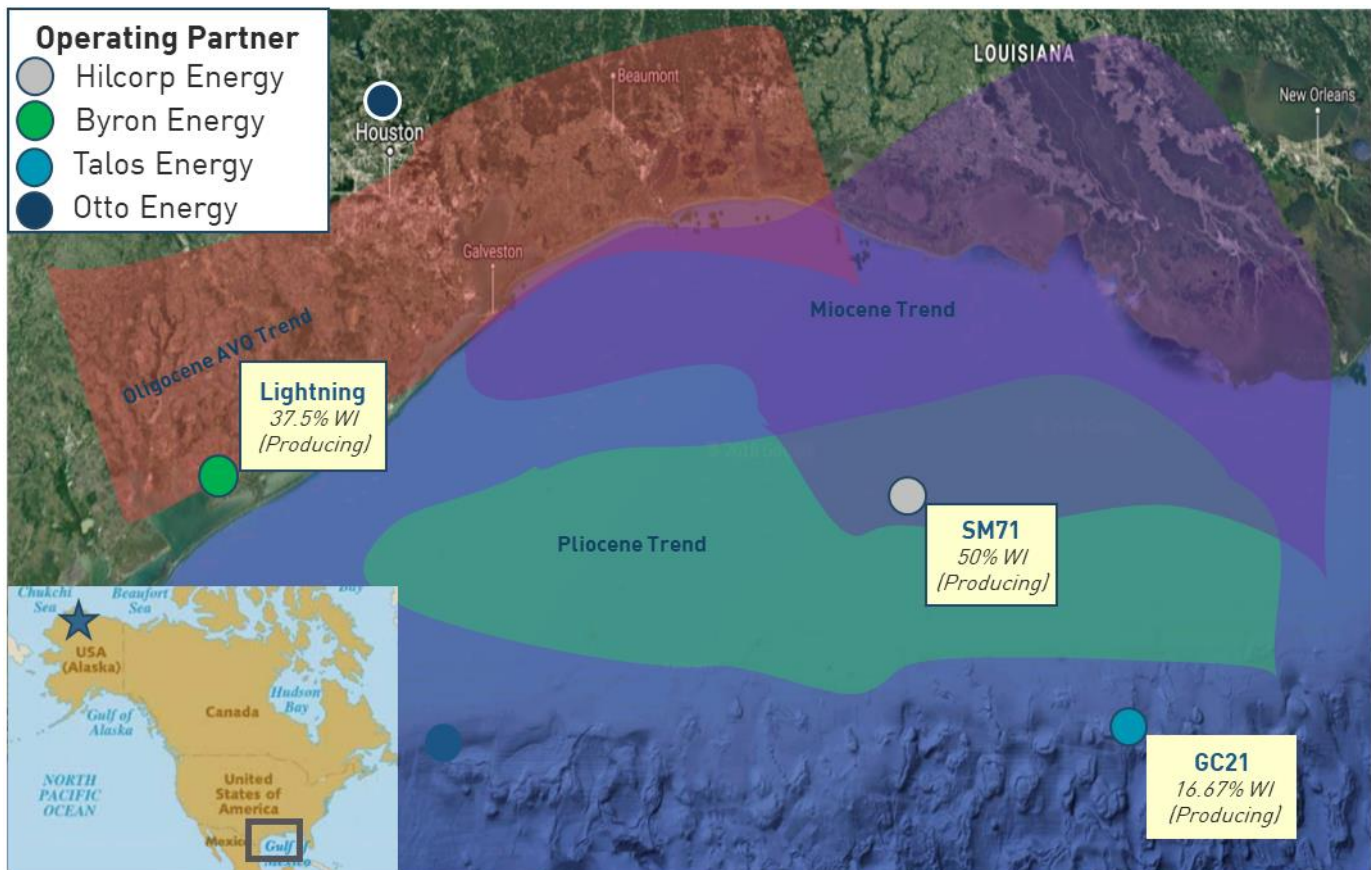
“While our industry is subject to continuing volatility and uncertainty in the near-term, we are ensuring Otto remains robust against potential market downsides, while also positioning ourselves to identify and potentially capture opportunities to grow. Importantly, we will remain disciplined in our financial and strategic decisioning and execution via our established guidelines.”

SUMMARY OF OPERATIONS

Metric	SM71	Lightning	Green Canyon 21
Status	Producing	Producing	Producing ¹
Working Interest	50.0%	37.5%	16.7%
Net Revenue Interest	40.6%	28.2%	13.3%
Operator	Byron Energy	Hilcorp	Talos Energy
Comments	3 wells producing; 1 well T/A	2 wells producing	1 well producing

1. Production began on 15 October 2020

Otto Energy Location and Formation - Gulf of Mexico



SOUTH MARSH ISLAND 71 (SM 71)

Location:	Louisiana/Offshore Gulf of Mexico
Area:	12.16 km ²
Water Depth:	137 feet
Otto's Working Interest:	50.00% (Byron Energy Inc. – Operator)

During the quarter, on a working interest basis, the F1, F2 and F3 wells produced approximately 124.3 Mboe (+5% over prior quarter), or 1,351 Boe/d, an increase attributable to returning to normal production levels, as production was frequently shut-in during the previous quarter due to several hurricanes impacting the Gulf Coast.

Recompletion potentials for the F2 well and re-entry potentials for the temporarily abandoned F5 well remain under evaluation for FY2022.

Production was approximately 1,530 Boe/d as of 31 December 2020. As of the date of this report, daily production rates are consistent with the daily production rates as of 31 December 2020.

SM 71 Production and Revenue Summary

Production Volumes		31-Dec-20	30-Sep-20	% change	30-Jun-20	31-Mar-20
WI (50%)	SM 71 – Oil (bbls)	110,393	109,215	1%	97,756	102,768
	SM 71 – Gas (Mscf)	83,515	57,922	44%	56,266	70,354
	SM 71 – Total (Boe)	124,312	118,869	5%	107,133	114,494
	SM 71 – Total (Boepd)	1,351	1,292	5%	1,177	1,258
NRI (40.625%)	SM 71 – Oil (bbls)	89,694	88,737	1%	79,427	83,499
	SM 71 – Gas (Mscf)	67,856	47,062	44%	45,716	57,163
	SM 71 – Total (Boe)	101,003	96,581	5%	87,046	93,026
	SM 71 – Total (Boepd)	1,098	1,050	5%	957	1,022
Sales Revenue		31-Dec-20	30-Sep-20	% change	30-Jun-20	31-Mar-20
WI (50%)	SM 71 – Oil - \$million	\$ 4.3	\$ 4.0	6%	\$ 2.2	\$ 4.6
	SM 71 – Oil - \$ per bbl	\$ 38.75	\$ 36.94	5%	\$ 22.09	\$ 44.93
	SM 71 – Gas - \$million	\$ 0.2	\$ 0.1	63%	\$ 0.1	\$ 0.2
	SM 71 – Gas - \$ per MMbtu	\$ 2.45	\$ 2.10	17%	\$ 1.56	\$ 1.99
	SM 71 – Total – US\$million	\$ 4.5	\$ 4.2	8%	\$ 2.3	\$ 4.8
NRI (40.625%)	SM 71 – Total – US\$million	\$ 3.7	\$ 3.4	8%	\$ 1.8	\$ 3.9

LIGHTNING

Location:	Onshore Matagorda County, Texas
Otto's Working Interest:	37.50% (Hilcorp Energy – Operator)

During the quarter, on a working interest basis, the Green #1 and #2 wells produced approximately 162.6 Mboe (+9% over prior quarter), or 1,767 Boe/d, an increase attributable to returning to normal production levels, as production was temporarily shut in for planned maintenance during the prior quarter. Production was approximately 1,581 Boe/d as of 31 December 2020. As of the date of this report, daily production rates are consistent with the daily production rates as of 31 December 2020.

Reinterpretation of the 3D seismic by the operator confirms that there are multiple levels of hydrocarbon pay in the Lightning field. While production is currently from the upper Tex Miss 1 zone, the lower Tex Miss 2/3 zone was tested in both wells while they were being drilled. The Tex Miss 2/3 zone appears to be aerially significantly larger and potentially thicker but indicates lower permeability. Future wells [i.e. Green #3 in FY2022] might test the ability to stimulate the Tex Miss 2/3 zone and unlock its significant upside potential.

Lightning Production and Revenue Summary

Production Volumes		31-Dec-20	30-Sep-20	% change	30-Jun-20	31-Mar-20
WI (37.5%)	Lightning – Oil (bbls)	22,962	20,607	11%	24,328	16,771
	Lightning – Gas (Mscf)	693,344	670,035	3%	755,166	547,460
	Lightning – NGLs (bbls)	24,090	16,301	48%	24,806	24,507
	Lightning – Total (Boe)	162,609	148,581	9%	174,995	132,521
	Lightning – Total (Boepd)	1,767	1,615	9%	1,923	1,456
NRI (28.2%)	Lightning – Oil (bbls)	17,276	15,504	11%	18,304	12,618
	Lightning – Gas (Mscf)	521,648	504,112	3%	568,161	411,894
	Lightning – NGLs (bbls)	18,124	12,264	48%	18,663	18,438
	Lightning – Total (Boe)	122,341	111,787	9%	131,661	99,706
	Lightning – Total (Boepd)	1,330	1,215	9%	1,447	1,096
Sales Revenue		31-Dec-20	30-Sep-20	% change	30-Jun-20	31-Mar-20
WI (37.5%)	Lightning – Oil - \$million	\$ 0.9	\$ 0.8	16%	\$ 0.6	\$ 0.7
	Lightning – Oil - \$ per bbl	\$ 39.55	\$ 38.03	4%	\$ 23.85	\$ 43.34
	Lightning – Gas - \$million	\$ 1.9	\$ 1.4	35%	\$ 1.3	\$ 1.0
	Lightning – Gas - \$ per MMbtu	\$ 2.67	\$ 1.98	35%	\$ 1.67	\$ 1.83
	Lightning – NGLs - \$million	\$ 0.3	\$ 0.2	18%	\$ 0.3	\$ 0.4
	Lightning – NGLs - \$ per bbl	\$ 11.76	\$ 14.45	-19%	\$ 10.82	\$ 16.55
	Lightning – Total – US\$million	\$ 3.1	\$ 2.4	27%	\$ 2.1	\$ 2.1
	NRI (28.2%)	Lightning – Total – US\$million	\$ 2.3	\$ 1.8	27%	\$ 1.6

GREEN CANYON 21 (GC 21)

Location:	Offshore, Gulf of Mexico
Water Depth:	1,200 feet
Otto's Working Interest:	16.67% (Talos Energy – Operator)

The “Bulleit” appraisal well located at GC 21 commenced production from the deeper MP sands on 15 October 2020 after experiencing multiple weather delays in reaching stabilized production rates. During the quarter, on a working interest basis, the GC 21 well produced approximately 10.2 Mboe, or 110 Boe/d, which is less than what the collective rock property data and analogue reservoirs would suggest.

A comprehensive review is ongoing of the conditions surrounding the drilling of the MP sands, including the setting of production casing, perforating, completion and stimulation activities, well performance data, and bottomhole pressure build up test results. The well will continue to flow at current rates while additional engineering analysis is completed to determine whether a well intervention and stimulation could enhance the current well deliverability, or if a recompletion in the shallower DRT-10 sands is warranted. Per Otto's Reserve Update as of 30 June 2020, approximately 70% of current GC 21 proven reserves are contained in the independent shallower DTR-10 sand which can be produced from the existing well bore.

Production was approximately 916 Boe/d as of 31 December 2020.

GC 21 Production and Revenue Summary

Production Volumes		31-Dec-20	30-Sep-20	% change	30-Jun-20	31-Mar-20
WI (16.67%)	GC 21 – Oil (bbls)	5,403	n/a	100%	n/a	n/a
	GC 21 – Gas (Mscf)	23,374	n/a	100%	n/a	n/a
	GC 21 – NGLs (bbls)	851	n/a	100%	n/a	n/a
	GC 21 – Total (Boe)	10,150	n/a	100%	n/a	n/a
	GC 21 – Total (Boepd)	110	n/a	100%	n/a	n/a
NRI (13.34%)	GC 21 – Oil (bbls)	4,323	n/a	100%	n/a	n/a
	GC 21 – Gas (Mscf)	18,699	n/a	100%	n/a	n/a
	GC 21 – NGLs (bbls)	680	n/a	100%	n/a	n/a
	GC 21 – Total (Boe)	8,120	n/a	100%	n/a	n/a
	GC 21 – Total (Boepd)	88	n/a	100%	n/a	n/a
Sales Revenue		31-Dec-20	30-Sep-20	% change	30-Jun-20	31-Mar-20
WI (16.67%)	GC 21 – Oil – \$million	\$ 0.2	n/a	100%	n/a	n/a
	GC 21 – Oil – \$ per bbl	\$ 40.09	n/a	100%	n/a	n/a
	GC 21 – Gas – \$million	\$ 0.1	n/a	100%	n/a	n/a
	GC 21 – Gas – \$ per MMbtu	\$ 2.83	n/a	100%	n/a	n/a
	GC 21 – NGLs – \$million	\$ 0.01	n/a	100%	n/a	n/a
	GC 21 – NGLs – \$ per bbl	\$ 9.60	n/a	100%	n/a	n/a
	GC 21 – Total – US \$million	\$ 0.3	n/a	100%	n/a	n/a
NRI (13.34%)	GC 21 – Total – US \$million	\$ 0.2	n/a	100%	n/a	n/a

The Company originally estimated approximately \$23.5 million to drill, complete and bring the Bulleit well to production status, based on Authorization For Expenditures (“AFEs”) provided by the Operator. At 31 December 2020, the final cost to drill, complete and bring the Bulleit well to production status was estimated to be approximately \$39.2 million. Of this amount, \$34.3 million had been paid as of 31 December 2020, with another \$1.8 million paid in early January 2021. The Company expects to pay the final remaining balance by the end of Q3 FY21. Below is a summary of the individual components:

<i>(US\$millions)</i>	Original Estimated Cost	Updated Estimated Cost *	Paid as at 44196	Paid as at 44227	Remaining Balance to be Paid
Drilling	\$ 7.4	\$ 16.7	\$ 16.7	\$ 16.7	\$ -
Subsea Tieback	\$ 10.8	\$ 12.6	\$ 10.8	\$ 12.6	\$ -
Platform Modifications	\$ 1.4	\$ 3.2	\$ 3.2	\$ 3.2	\$ -
Completion Costs	\$ 3.9	\$ 6.7	\$ 3.6	\$ 3.6	\$ 3.1
	\$ 23.5	\$ 39.2	\$ 34.3	\$ 36.1	\$ 3.1

*Previously released on 24 November 2020 as \$39.5 million. Have since received updated billing statements from operator, revising costs to \$39.2 million.

As a result of the significant cost overruns experienced in the development of the GC 21 “Bulleit” well, it is estimated that while full-cycle economics have been eroded, point-forward economics for either the repair or recompletion are positive and value accretive.

EXPLORATION ACTIVITIES

BELUGA

Location:	Onshore Chambers County, Texas
Otto’s Working Interest:	18.75% (Hilcorp Energy – Operator)

The Beluga #1 well in was spud in October 2020 and was drilled to approximately 13,800 ft MD to the base of the target formation. Wireline logs were run in the well and evaluated, and it was determined that sub-commercial quantities of hydrocarbons were encountered. The well was therefore plugged and abandoned. The well was drilled for approximately \$1.8 million, net to Otto, which was below AFE estimated costs and in fewer days than planned.

ALASKA – NORTH SLOPE (CENTRAL BLOCKS)

Location:	Onshore North Slope Alaska
Area:	601.1 km ²
Otto’s Interest:	8%-10.8% (Great Bear Petroleum Operating – Operator)

As of 31 December 2020, Pantheon Resources, the operator of the recently formed Talitha Unit (“Pantheon”) had secured all necessary permits and authorizations and had commenced the construction of an ice road to the Talitha #A drill site which spud in January 2021.

On 20 January 2021, the Company announced that it had sold its subsidiary, Borealis Alaska LLC (Borealis) which holds a 10.8% interest in the 44,463-acre Talitha Unit in Alaska, to Pantheon. Under the terms of the sale, Otto will receive 14,272,592 shares in Pantheon Resources Plc (London Stock Exchange: PANR) in exchange for Borealis Alaska LLC. The shares will be subject to a lock up period through 30 June 2021.

CORPORATE

NET REVENUE

Net revenue for the quarter, on a WI basis, was approximately US\$7.8 million, a 19% increase over the prior quarter due to an increase in production for the quarter, combined with a steady increase in crude oil and natural gas prices. Otto's hydrocarbon sales for the quarter equate to 3,229 Boe/d, an 11% increase over the prior quarter. This increase was predominately driven by the commencement of production at GC 21 on 15 October 2020, plus returning to normal production levels at SM 71 and Lightning. The SM 71 field was shut-in twice during the prior quarter due to Hurricanes Laura and Sally, while the Lightning field was shut-in for approximately one week in early-August 2020 for planned maintenance.

Crude oil and natural gas increased 5% and 33%, respectively, during the quarter, while NGL prices decreased 19%. From a cash receipts perspective, Otto received proceeds of approximately US\$4.5 million during the quarter, net of royalties, related to production for September, October, and November 2020.

	31-Dec-20	30-Sep-20	% change	30-Jun-20	31-Mar-20
Oil revenue (\$millions)	\$ 5.4	\$ 4.8	12%	\$ 2.7	\$ 5.3
Avg oil price (\$/Bbl) - pre-hedges	\$ 38.93	\$ 37.12	5%	\$ 22.44	\$ 44.70
Avg oil price (\$/Bbl) - post-hedges	\$ 42.03	\$ 42.12	0%	\$ 35.06	\$ 49.56
Gas revenue (\$millions)	\$ 2.1	\$ 1.5	42%	\$ 1.4	\$ 1.2
Avg gas price (\$/Mmbtu)	\$ 2.64	\$ 1.99	33%	\$ 1.66	\$ 1.85
NGL revenue (\$millions)	\$ 0.3	\$ 0.2	21%	\$ 0.3	\$ 0.4
Avg NGL price (\$/Bbl)	\$ 11.68	\$ 14.45	-19%	\$ 10.82	\$ 16.55
Total revenue (\$millions)	\$ 7.8	\$ 6.6	19%	\$ 4.4	\$ 6.9
Avg WA price (\$/Boe) - pre-hedges	\$ 26.40	\$ 24.59	7%	\$ 15.55	\$ 27.94
Avg WA price (\$/Boe) - post-hedges	\$ 27.85	\$ 27.01	3%	\$ 21.01	\$ 30.30

See attached Appendix 5B for detailed cash flow disclosures.

COMMODITY PRICE RISK MANAGEMENT

As of 31 December 2020, Otto had a total hedge book of 348,608 barrels of oil hedged through September 2022 via swaps, at a weighted average LLS price of US\$50.66 as follows:

Months	Volume (Bbls)	Weighted Avg Price (LLS)
January – December 2021	238,690	\$51.62
January – September 2022	109,918	\$49.20

In January 2021, the Company added additional oil hedges, resulting in a weighted average LLS price of US\$51.47 for CY 2021 and US\$49.25 for CY 2022 (on forecasted SM 71 and Lightning volumes), resulting in a total hedge book of 388,108 barrels of oil hedged through September 2022 via swaps, at a weighted average LLS price of US\$50.65 as follows:

COST PERFORMANCE

Office operating cash flows, or non-field lifting costs, for the December quarter were approximately US\$1.8 million, compared to US\$2.9 million for the prior year quarter, a decrease of 36%. This decrease for the quarter was attributable to multiple areas of targeted reduction, including administrative, licensing, legal and advisory/consultant costs.

LIQUIDITY AND DEBT

Otto's cash on hand at the end of the December quarter was approximately US\$9.7 million (September quarter: US\$14.3 million).

On 2 November 2019, the Company entered a three-year senior secured US\$55 million facility with Macquarie Bank Limited ("Macquarie") (the "Credit Facility"). The initial commitment under the Credit Facility is US\$35 million (made up of US\$25 million available under Tranche A1 and US\$10 million available under Tranche A2), with an additional US\$20 million subject to further credit approval from Macquarie, with an interest rate of LIBOR plus 8.0% per annum. Quarterly principal repayments commenced on 31 March 2020.

As of 31 December 2020, the Company had drawn US\$25 million under Tranche A1 and had repaid US\$8.9 million, resulting in a closing debt balance of US\$16.1 million. Tranche A2 expired undrawn as of 31 December 2020. On 21 January 2021, the Company announced that the Credit Facility had been amended as follows:

- Extend Tranche A2 out until 31 March 2022
- Establish the timing for a GC 21 mitigation plan to be developed and implemented (by 31 July 2021)
- Establish a minimum quarterly average production requirement of 1,900 boepd until the GC 21 mitigation is completed (Otto Net WI volume)

As of 31 December 2020, the Company was in compliance with all its financial covenants. The Credit Facility is secured by substantially all of the Company's oil and gas producing assets.

SHAREHOLDERS

Otto's issued capital as at 22 January 2021:

Class	Number
Fully paid ordinary shares	4,795,009,773
Options (A\$0.08 exercise price)	42,500,000
Performance Rights	23,944,667

Otto's Top 20 Holders as at 22 January 2021:

Rank	Name	Units	% of Units
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,345,137,589	48.91%
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	132,798,187	2.77%
3	BNP PARIBAS NOMINEES PTY LTD	122,763,900	2.56%
4	CITICORP NOMINEES PTY LIMITED	67,314,265	1.40%
5	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	49,833,512	1.04%
6	CS THIRD NOMINEES PTY LIMITED	42,600,141	0.89%
7	MR JOHN PHILIP DANIELS	37,798,349	0.79%
8	MR MATTHEW GERARD ALLEN	21,541,602	0.45%
9	MR GEORGE EUSTRATIOS MANIOS	21,455,555	0.45%
10	MR ANDREW MCKENZIE & MRS CATHERINE MCKENZIE	20,000,000	0.42%
10	ZERO NOMINEES PTY LTD	20,000,000	0.42%
10	MR THOMAS FRITZ ENSMANN	20,000,000	0.42%
10	BLAMNCO TRADING PTY LTD	20,000,000	0.42%
11	MR DOUGAL JAMES FERGUSON	19,640,000	0.41%
12	MR DANIEL LEE	18,211,778	0.38%
13	DANIEL LEE PTY LTD	17,771,431	0.37%
14	MR CRAIG WILLIAM SIMS	17,500,000	0.36%
15	MR ANASTASIOS MAZIS	17,246,092	0.36%
16	NATIONAL NOMINEES LIMITED	16,110,500	0.34%
17	MR CRAIG GRANT RADFORD & MRS SARAH JANE RADFORD	15,537,765	0.32%
18	ASB NOMINEES LIMITED	15,104,440	0.32%
19	ZERRIN INVESTMENTS PTY LTD	15,000,000	0.31%
19	MISS ANNA CZARNOCKA	15,000,000	0.31%
19	MR NEIL DAVID OLOFSSON & MRS BELINDA OLOFSSON	15,000,000	0.31%
19	MR CRAIG GRAEME CHAPMAN	15,000,000	0.31%
20	MR KERRY ELDON NOBLE	14,705,795	0.31%
Total Top 20 Shareholders		3,133,070,901	65.34%
Total Remaining Shareholders		1,661,938,872	34.66%
Total Shares on Issue		4,795,009,773	100.0%

Substantial Holders as at 22 January 2021:

Name	Units	% of Units
Molton Holdings Limited	2,305,859,697	48.09%

Director Holdings as at 22 January 2021:

Name	Units	% of Units
John Jetter	57,881,668	1.21%
Kevin Small	49,486,383	1.03%
Paul Senyacia	7,959,387	0.17%

OTTO AT A GLANCE

Otto is an ASX-listed oil and gas exploration and production company focused on the Gulf of Mexico region. Otto currently has oil production from its SM 71 and GC 21 fields in the Gulf of Mexico and gas/condensate production from its Lightning asset in onshore Matagorda County, Texas. Cashflow from its producing assets underpins its strategy and financial stability.

DIRECTORS

Michael Utsler – Chairman & CEO
 John Jetter – Non-Executive
 Geoff Page – Non-Executive
 Paul Senyacia – 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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Definitions

- "\$m" means USD millions of dollars
- "bbl" means barrel
- "bbls" means barrels
- "bopd" means barrels of oil per day
- "Mbbl" 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 or oil and gas exploration entity quarterly cash flow report

Name of entity

Otto Energy Limited

ABN

56 107 555 046

Quarter ended ("current quarter")

31 December 2020

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (6 months) \$US'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	4,502	9,232
1.2	Payments for		
	(a) exploration & evaluation	(1,603)	(2,089)
	(b) development	(3,026)	(6,104)
	(c) production	(890)	(1,213)
	(d) staff costs	(767)	(1,300)
	(e) administration and corporate costs	(696)	(1,184)
1.3	Dividends received (see note 3)		
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(478)	(1,005)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	6	18
1.8	Other (provide details if material)		
	(a) derivative instruments	650	1,371
	(b) other	-	-
1.9	Net cash from / (used in) operating activities	(2,302)	(2,274)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation	-	-

ASX Listing Rules Appendix 5B (17/07/20)

+ See chapter 19 of the ASX Listing Rules for defined terms.

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (6 months) \$US'000
(e) investments	-	-
(f) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) 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)	-	-
2.6 Net cash from / (used in) investing activities	-	-

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	(20)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(2,300)	(4,600)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	(2,300)	(4,620)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	14,264	16,551
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,302)	(2,274)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (6 months) \$US'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(2,300)	(4,620)
4.5	Effect of movement in exchange rates on cash held	7	12
4.6	Cash and cash equivalents at end of period	9,669	9,669

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$US'000	Previous quarter \$US'000
5.1	Bank balances	9,669	14,264
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	9,669	14,264

6.	Payments to related parties of the entity and their associates	Current quarter \$US'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	201
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<p><i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i></p> <p><i>Payments to related parties and their associates totalled US\$201k consisting of Executive Directors fees (US\$125k), Non-Executive Directors fees including superannuation payments (US\$31k) and consulting fees paid to J Jetter, Non-Executive Director (US\$45k).</i></p>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
7.1	Loan facilities	36,100	16,100
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities	36,100	16,100
7.5	Unused financing facilities available at quarter end		-
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <p>On 2 November 2019, Otto Energy entered into a three-year senior secured US\$55 million term debt facility with Macquarie Bank Limited (Macquarie) as follows:</p> <p><u>Initial commitment of \$35 million</u></p> <ul style="list-style-type: none"> • Tranche A1 (\$25 million) available upon facility close. Fully drawn and have repaid \$8.9 million as of 31 December 2020. Repaid amounts are not available for re-borrowing. • Tranche A2 (\$10 million) available on successful exploration or commencement of commercial production at Green Canyon 21. Tranche A2 expired undrawn as of 31 December 2020. • On 21 January 2021, the Company announced that, among other amendments to the credit facility, Tranche A2 had been extended until 31 March 2022. • Interest rate of LIBOR plus 8.0% per annum; • Maturity date 36 months from initial drawdown; • Quarterly principal repayments commenced 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. <p><u>Additional \$20 million available</u></p> <ul style="list-style-type: none"> • Subject to further credit approval from Macquarie on same terms as above 		

8.	Estimated cash available for future operating activities	\$US'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(2,302)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(2,302)
8.4	Cash and cash equivalents at quarter end (item 4.6)	9,669
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	9,669
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	4.2
	<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8	If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer:	
8.8.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer:	
8.8.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer:	
	<i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.</i>	

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.

Date: 29 January 2021

Authorised by: The Board of Directors of Otto Energy Limited (see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.