

ASX ANNOUNCEMENT
21 December 2018

APPENDIX 3B – ISSUE OF SHARES AND PERFORMANCE RIGHTS

Otto Energy Limited (ASX: OEL) ('Otto' or the 'Company') provides an Appendix 3B covering three changes to the securities on issue:

1. The issue of LTI performance rights to directors and staff on the terms approved by shareholders at the AGM on 15 November 2018.

The vesting hurdle for the rights is a compound TSR (Total Shareholder Return) of 15% per annum based on 90 day VWAP at the Measurement Date. The starting share price for measurement is A\$0.0640. The indicative 90 day VWAP share prices required for vesting on each Measurement Date are set out below:

Measurement Date	Indicative vesting hurdle share price
15/11/2019	A\$ 0.0736
15/11/2020	A\$ 0.0846
15/11/2021	A\$ 0.0973

2. The issue of sign on performance rights to three new US staff members. The sign on performance rights form an important part of their remuneration packages and provide incentives linked to increases in shareholder value. Such sign on benefits are customary in the US. The terms of the sign on performance rights are the same as the LTI rights above (including the indicative vesting hurdle share prices) except that they are eligible for vesting 66.67% on 15 November 2019 and 33.33% on 15 November 2020; and
3. The issue of new shares to directors and staff following the vesting of previously issued performance rights on 29 November 2018 (Measurement Date).

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Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12, 04/03/13

Name of entity

Otto Energy Limited (*Otto*)

ABN

56 107 555 046

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|---|--|
| 1 | +Class of +securities issued or to be issued | a) Ordinary Shares
b) Performance Rights – LTI
c) Performance Rights – Sign On |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | a) 4,729,000
b) 23,789,000
c) 8,879,000 |
| 3 | Principal terms of the +securities (e.g. if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | a) Ordinary Fully Paid Shares
b) Performance Rights which expire on 15 November 2023. One third of the rights vest on each of 15 November 2019, 2020 and 2021. If rights do not vest, they roll forward to the next vesting date or expiry, whichever is the next date. Vesting hurdle is a 15% per annum TSR with a commencing deemed share price on 15 November 2018 of A\$0.064. For more information refer to Item 5 of the Explanatory Statement to the Notice of Meeting for the AGM released to ASX on 15 October 2018.
c) Same terms at b) except two thirds of the rights vest on 15 November 2019 and one third on 15 November 2020. |

+ See chapter 19 for defined terms.

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New issue announcement

<p>4 Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?</p> <p>If the additional +securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>a) Yes.</p> <p>b) and c) No. Shares issued upon the vesting of performance rights will rank equally with the existing ordinary shares on and from that date.</p>
<p>5 Issue price or consideration</p>	<p>Nil</p>
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>a) Issued as a result of the vesting of performance rights on 29 November 2018.</p> <p>b) Issued to Directors and senior employees as long term incentives. For more information refer to Item 5 of the Explanatory Statement to the Notice of Meeting for the AGM released to ASX on 30 October 2017.</p> <p>c) Issued to three new US staff members upon commencement. The sign on performance rights form an important part of their remuneration packages and provide incentives linked to increases in shareholder value. Such sign on benefits are customary in the US.</p>
<p>6a Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h in relation to the +securities the subject of this Appendix 3B, and comply with section 6i</p>	<p>Yes.</p>
<p>6b The date the security holder resolution under rule 7.1A was passed</p>	<p>15 November 2018.</p>
<p>6c Number of +securities issued without security holder approval under rule 7.1</p>	<p>Nil.</p>

+ See chapter 19 for defined terms.

6d	Number of +securities issued with security holder approval under rule 7.1A	Nil.				
6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	Nil.				
6f	Number of +securities issued under an exception in rule 7.2	4,729,000 (a)				
6g	If +securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the +issue date and both values. Include the source of the VWAP calculation.	N/A.				
6h	If +securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements	N/A.				
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements	255,155,113 (Under 7.1) 170,103,408 (Under 7.1A)				
7	<p>+Issue dates</p> <p>Note: The issue date may be prescribed by ASX (refer to the definition of issue date in rule 19.12). For example, the issue date for a pro rata entitlement issue must comply with the applicable timetable in Appendix 7A.</p> <p>Cross reference: item 33 of Appendix 3B.</p>	The issue date for the new shares and rights is 21 December 2018.				
8	Number and +class of all +securities quoted on ASX (including the +securities in section 2 if applicable)	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">Number</th> <th style="width: 50%;">+Class</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1,875,254,612</td> <td style="text-align: center;">Shares</td> </tr> </tbody> </table>	Number	+Class	1,875,254,612	Shares
Number	+Class					
1,875,254,612	Shares					

+ See chapter 19 for defined terms.

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	Number	+Class
9	Number and +class of all +securities not quoted on ASX (including the +securities in section 2 if applicable)	
	4,640,000	Unlisted Employee Performance Rights (Measurement Date 1/2/2019, Expiry date 31/12/2019)
	9,458,000	Unlisted Employee and Director Performance Rights (Measurement Dates 29/11/2019 and 2020, Expiry date 29/11/2022)
	23,789,000	Unlisted Employee and Director Performance Rights (Measurement Dates 15/11/2019, 15/11/2020 and 2021, Expiry date 15/11/2023)
	8,879,000	Unlisted Employee Sign On Performance Rights (Measurement Dates 15/11/2019 and 2020, Expiry date 15/11/2023)
	8,200,000	Convertible Notes (refer Appendix 3B released to ASX on 2 August 2017 and ASX release of 17 December 2018 for terms)
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	<p>a) Ordinary fully paid shares - participation available from the date of issue.</p> <p>b) and c) Performance Rights – shares issued on vesting will be ordinary fully paid shares, hence participation from the date of issue.</p>

Part 2 - Pro rata issue

Questions 11 to 33 Not Applicable

+ See chapter 19 for defined terms.

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of ⁺securities
(tick one)

(a) ⁺Securities described in Part 1 (a)

(b) All other ⁺securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 If the ⁺securities are ⁺equity securities, the names of the 20 largest holders of the additional ⁺securities, and the number and percentage of additional ⁺securities held by those holders

36 If the ⁺securities are ⁺equity securities, a distribution schedule of the additional ⁺securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

37 A copy of any trust deed for the additional ⁺securities

⁺ See chapter 19 for defined terms.

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Entities that have ticked box 34(b)

38 Number of +securities for which +quotation is sought

N/A.

39 +Class of +securities for which quotation is sought

N/A.

40 Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?

If the additional +securities do not rank equally, please state:

- the date from which they do
- the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
- the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment

N/A.

41 Reason for request for quotation now

Example: In the case of restricted securities, end of restriction period

(if issued upon conversion of another +security, clearly identify that other +security)

N/A.

	Number	+Class
42 Number and +class of all +securities quoted on ASX (including the +securities in clause 38)	N/A.	N/A.

+ See chapter 19 for defined terms.

Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document is not available now, we will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.



21 December 2018

Sign here: Date:
(~~Director~~/Company secretary)

Print name: ...David Rich.....

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+ See chapter 19 for defined terms.

Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for eligible entities

Introduced 01/08/12 Amended 04/03/13

Part 1

Rule 7.1 – Issues exceeding 15% of capital	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
Insert number of fully paid +ordinary securities on issue 12 months before the +issue date or date of agreement to issue	1,529,298,490
<p>Add the following:</p> <ul style="list-style-type: none"> • Number of fully paid +ordinary securities issued in that 12 month period under an exception in rule 7.2 • Number of fully paid +ordinary securities issued in that 12 month period with shareholder approval • Number of partly paid +ordinary securities that became fully paid in that 12 month period <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>Include only ordinary securities here – other classes of equity securities cannot be added</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	<p>1,630,000 (2 February 2018) 51,633,664 (9 August 2018 – Institutional Entitlement Offer) 118,471,930 (28 August 2018 – Retail Entitlement Offer)</p> <p>Nil</p> <p>Nil</p>
Subtract the number of fully paid +ordinary securities cancelled during that 12 month period	Nil
“A”	1,701,034,084

+ See chapter 19 for defined terms.

Step 2: Calculate 15% of “A”	
“B”	0.15 <i>[Note: this value cannot be changed]</i>
Multiply “A” by 0.15	255,155,113
Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used	
<p><i>Insert</i> number of +equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued:</p> <ul style="list-style-type: none"> • Under an exception in rule 7.2 • Under rule 7.1A • With security holder approval under rule 7.1 or rule 7.4 <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	Nil
“C”	Nil
Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1	
<p>“A” x 0.15</p> <p><i>Note: number must be same as shown in Step 2</i></p>	255,155,113
<p>Subtract “C”</p> <p><i>Note: number must be same as shown in Step 3</i></p>	Nil
<p>Total [“A” x 0.15] – “C”</p>	<p>255,155,113</p> <p><i>[Note: this is the remaining placement capacity under rule 7.1]</i></p>

+ See chapter 19 for defined terms.

Part 2

Rule 7.1A – Additional placement capacity for eligible entities	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
“A” <i>Note: number must be same as shown in Step 1 of Part 1</i>	1,701,034,084
Step 2: Calculate 10% of “A”	
“D”	0.10 <i>Note: this value cannot be changed</i>
Multiply “A” by 0.10	170,103,408
Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used	
Insert number of +equity securities issued or agreed to be issued in that 12 month period under rule 7.1A <i>Notes:</i> <ul style="list-style-type: none"> • <i>This applies to equity securities – not just ordinary securities</i> • <i>Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	Nil
“E”	Nil

+ See chapter 19 for defined terms.

Step 4: Subtract “E” from [“A” x “D”] to calculate remaining placement capacity under rule 7.1A	
<p>“A” x 0.10</p> <p><i>Note: number must be same as shown in Step 2</i></p>	<p>170,103,408</p>
<p>Subtract “E”</p> <p><i>Note: number must be same as shown in Step 3</i></p>	<p>Nil</p>
<p>Total [“A” x 0.10] – “E”</p>	<p style="text-align: center;">170,103,408</p> <p><i>Note: this is the remaining placement capacity under rule 7.1A</i></p>

+ See chapter 19 for defined terms.