

OTTO DEBT-FREE AND UNHEDGED

- Final repayment made under existing Credit Facility (Tranche A-1); Otto now debt-free.
- Hedge book also completely rolled off, delivering full leverage to current high prices.
- Existing undrawn Tranche A-2 (A\$10M) extended to 31 December 2023, delivering extra liquidity; no immediate plans to draw on this extended facility.
- Undrawn Tranche B (US\$20M) also remains available for potential PDP acquisition.
- Additional optimising amendments include interest rate reference change to SOFR and reduction in Debt Service Reserve Account (DSRA) requirements.
- At 30 September, Otto held cash of US\$24.9 M, securities of US\$3.8M¹ and zero debt.

Otto Executive Chairman, Mr Michael Utsler, commented:

"We are pleased to now be debt-free and with zero hedging in place. This immediately frees up an incremental approximately US\$1.5 million per month, enabling us to re-deploy this capital into accretive growth opportunities. We appreciate Macquarie's ongoing support in developing these positive changes to the existing Credit Facility. We remain committed to maintaining our balance sheet strength and have budgeted to pay for the GC 21 and SM71 F2 recompletions, along with the Mosquito Bay West and Oyster Bayou South completions, out of existing cash flows."

"While we have no immediate plans to access Tranche A-2 or Tranche B, we continue to identify and evaluate additional drilling and/or acquisition opportunities. To date, our focus has been, and will continue to be, on opportunities that can be paid out of existing cash flows. Depending on size, however, it is possible that one or more of these opportunities may require additional funding through debt capital."

"The Company spoke with numerous US and foreign-based lending institutions and determined that the revised facility terms offered by Macquarie were extremely competitive to those quoted by other lending institutions. As such, we are delighted to maintain our existing relationship while amending the undrawn facility to significantly increase our financial flexibility."

Otto Energy Limited (ASX: OEL) (**Otto** or the **Company**) is pleased to announce that it has made the final payment on all drawn amounts under its existing Credit Facility and is now debt-free. Further, the Company's hedge book has now completely rolled off, allowing it to now take full advantage of current high commodity prices.

¹ 3,272,592 PANR shares with a share price of 104 pence and 1.113 US\$/GBP exchange rate as at 30 September 2022

Otto is also pleased to advise that it has executed a Facility Agreement Amendment Deed with Macquarie Bank Limited (**Macquarie**) to adjust certain terms of its three-year senior secured term debt facility, which was initially announced on 4 November 2019 (**Credit Facility**).

The amendment has been developed on the basis of the recognition that the existing Credit Facility matures in November 2022. Given Otto's impressive liquidity position, and the fact that Otto has identified potential additional drilling opportunities to explore in FY2023, both Otto and Macquarie agreed that it would be in both parties' interest to work together to develop this amendment.

Maturity

Under the amended Credit Facility, the new maturity date is 31 December 2023, with Tranche A-2 (US\$10 million) immediately available and able to be utilized until 30 September 2023. Tranche A-2, if and when accessed, would be used to support funding the Company's future development from any new discoveries arising from the Company's FY2023 exploration program.

Hedging

As of 30 September, the Company's hedge book completely rolled off. Under the amended Credit Facility, no additional hedging contracts will be required until Tranche A-2 is utilised. Terms of any new hedging requirements will be discussed and negotiated at that time.

Other Key Terms

As previously disclosed², Tranche B (US\$20 million), subject to further credit approval from Macquarie, remains available. The Company can use Tranche B for a potential PDP acquisition, should one be identified.

Additionally:

- Upon the initial draw of Tranche A-2, the Company will be required to issue to Macquarie 42,500,000 options for fully paid ordinary shares in the Company at an exercise price of A\$0.08 (adjusted for any equity raises), expiring four years after issue date.
- The Company will be required to pay the remaining portion of the Structuring Fee of US\$600,000 upon utilization of Tranche A-2.
- Any funds borrowed from Tranche A-2 will be repaid in equal quarterly repayments from the date of draw through 31 December 2023.
- Interest Rate on the Credit Facility has been changed to Compounded SOFR + Credit Adjustment Spread + 7.50%.

Finally, any funds borrowed under Tranche A-2 will be subject to a reduced Debt Service Reserve Account (DSRA), whereby the lender will hold the greater of six months of forecasted debt service or US\$3 million.

The amendment to the Credit Facility includes an amendment fee that is commensurate with typical establishment/structuring arrangements. All other terms and conditions of the Credit Facility remain unchanged.

This release is authorized by the Board of Otto.

² See ASX release dated 4 November 2019

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