OTTO ENERGY

Corporate Governance, Risk Management, Compliance and Control Policy
CG 7.1-4

Approved by the Board on Jan, 2023

Michael Utsler
Executive Chairman

Otto Energy Limited
Summary of Corporate Governance, Risk Management, Compliance and Control

1. Introduction

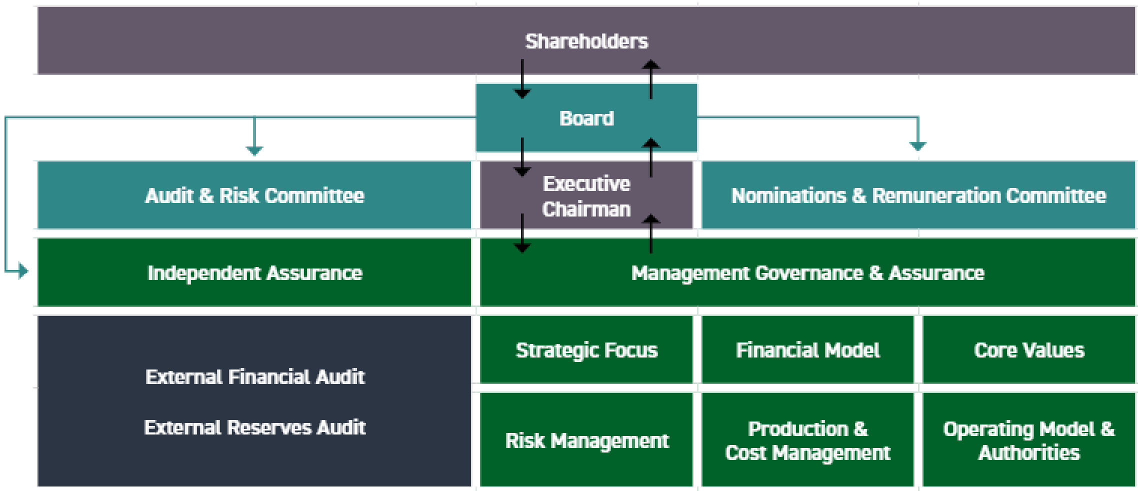
Otto Energy Corporate Governance:

In fulfilling its obligations and responsibilities to its various stakeholders, the Board supports a strong system of corporate governance, to ensure that the management of Otto is conducted to maximise shareholder value in a proper and ethical manner.

Otto is committed to a high level of corporate governance and a culture that practices highly ethical behaviours, integrity and respect. We believe that adopting and operating in accordance with high standards of corporate governance is essential for long term high performance and sustained value creation.

Otto follows the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. Throughout the year, Otto complied with all the ASXCGC Recommendations.

These principles and practices are reviewed regularly and revised as appropriate to reflect changes in law and developments in corporate governance.



The Company recognises the need to pro-actively manage the risks and opportunities associated with both day-to-day operations of the organisation and its longer-term strategic objectives. The identification and proper management of risk within the Company is a priority for the Board and management.

2. Roles and responsibilities

a) The Board

The Board is responsible for the establishment, oversight and approval of the Company's governance, risk management strategy, and internal compliance and controls. The Board will undertake a quarterly and annual review of the strategic and other material business risks facing the Company as part of its strategic business planning and performance management process.

The Board is also responsible for defining the "risk appetite" of the Company so that the strategic direction of the Company can be aligned with its risk management policy.

b) Audit Committee

The Audit Committee is responsible for the assessment of financial risks arising from the Company's operations and considering the adequacy of measures taken to moderate those risks. The Audit Committee will advise the Board on risk management and assist the Board to fulfil its risk management and oversight responsibilities.

c) Management

Management is responsible for designing, implementing and monitoring the Company's compliance and risk management policies and the internal control system. Management is required by the Committee to report back on the efficiency and effectiveness of the Company's risk management.

Each financial year, Chief Executive Office and the Chief Financial Officer will attest that the Company's financial reporting systems are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to the financial reporting risks.

3. Risk management

Our approach to risk management enables us to take risk for reward, protect against negative impacts and improve our resilience to emerging risks. Otto recognizes that risk is inherent in our business, and the effective management of risk is vital to deliver our strategic objectives, continued growth, and success. We are committed to managing risk in a proactive and effective manner as a source of competitive advantage. We apply a structured and comprehensive approach to the identification, assessment, and treatment of current risks as well as being able to respond to emerging risks.

The Company's process of risk management and internal compliance and control includes:

a) establishing the Company's goals and objectives, and implementing and monitoring strategies and policies to achieve these goals and objectives,

b) continuously identifying and measuring risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks,

c) formulating risk management strategies to manage identified risks and designing and implementing appropriate risk management policies and internal controls; and

d) monitoring the performance of, and continuously improving the effectiveness of, risk management systems and internal compliance and controls, including an ongoing assessment of the effectiveness of risk management and internal compliance and control.

Our risk management framework provides a single consolidated view of risks across the Company to quantify our full risk exposure and prioritize risk management and governance.

a) The framework is aligned with the intent of the International Standard ISO31000 for risk management, providing line of sight of risk at appropriate levels of the organization, including the executive team and the Board, based on defined materiality thresholds.

Our assessment of risk considers both financial and non-financial exposures, including health and safety, environment, finance, reputation, brand, legal and compliance, social and culture.

An overview of our strategic and material risks which Otto has identified and seeks to manage through controls and mitigations include:

Operations

a) Maintaining the technical integrity and operational performance of our assets is essential to protecting our people, the environment, our license to operate and the financial capacity to support existing business and growth opportunities. Failure to deliver safe, reliable, and efficient operations could result in a sustained, unplanned interruption to production, which can lead to not meeting production forecasts, delivery of the base business or generate revenue to support growth.

b) Our operating assets are subject to operating hazards associated with major accident events, cyber-attacks, extreme weather events and disruptions within global supply chains that may ultimately lead to a loss of hydrocarbon containment or additional costs. Safe operation is fundamentally embedded through an extensive framework of controls that deliver strong operational performance in our base business.

c) Operating risk is managed wherever possible via operator and partner selection, joint venture partner meetings, real time data receipt and review, technical reviews and audits.

Finance

Otto's financial performance and resilience may be impacted by key factors such as:

a) Management of financial risks. An inability to fund the delivery of strategic portfolio objectives could prevent Otto from unlocking value, weaken financial resilience and result in a loss of shareholder value.

b) Commodity prices are variable and are impacted by global economic factors and beyond Otto's control. At times, Otto will employ commodity price hedging to manage commodity price risk and allow Otto to achieve specific business objectives.

c) Demand for and pricing of our products remain sensitive to external economic and political factors, weather, natural disasters, introduction of new and competing supply, changes in buyer preferences for differing products and price regimes.

d) Insufficient liquidity to meet financial commitments and fund growth opportunities could have a material adverse effect on our operations and financial performance.

e) Our financing costs could be affected by interest rate fluctuations or a change in applicable interest rate benchmarks.

f) We are exposed to credit risk; our counterparties could fail or could be unable to meet their payment or performance obligations under contractual arrangements. The delivery of our strategic portfolio objectives requires significant capital expenditure, supported by strong underlying cashflows. Credit risk evaluation is a key part of Otto's evaluation of financial counterparts and working interest partner's capability.

g) A flexible approach to capital management enables this overall level of investment in the different areas of our business and the mix to be adjusted to reflect the external environment. Our capital management strategy focuses on capital allocation, capital discipline and capital efficiency.

h) We maintain insurance in line with industry practice and sufficient to cover normal operational risks. However, Otto is not insured against all potential risks because not all risks can be insured and because of constraints on the availability of commercial insurance in global markets.

i) Insurance coverage is determined by the availability of commercial options and cost/benefit analysis, considering Otto's risk management program. Losses that are not insured could impact Otto's financial performance. For example, Otto does not purchase insurance for the loss of revenue arising from an operational interruption.

Cyber Security risks

a) Regulatory and compliance obligations are increasing for data protection and security of critical infrastructure. Failure to safeguard the confidentiality, integrity and availability of digital data and information could have an adverse effect on Otto's operation performance.

b) Otto's technology systems may be subject to both unintentional and intentional disruption, for example cybersecurity attack. We are committed to the protection of our people, assets, reputation, and brand through securely enabled digital technologies. Digital risks are identified, assessed, and managed based on the business criticality of our people and systems, and may be required to be segregated and isolated. Our exposure to cyber risk is managed by a control framework that ensures cyber events are identified, contained, and recovered in a timely manner.

Innovation

a) We focus on maintaining our competitive advantage by delivering value through new ideas, technologies, or diversified products. The practical application of innovation delivers near-term value to our base business and in the longer-term, transforms and creates opportunities to thrive in a lower carbon economy.

b) Failure to build, embed, leverage and support innovation may result in a significant threat to the competitive advantage of our base business and our longer-term sustainability. We drive the practical application of innovation through an entrepreneurial, opportunity-focused, agile approach.

People & Culture

a) Otto must maintain sufficient talent, capability, capacity, and a strong organizational culture. An engaged and enabled workforce underpins our ability to deliver base business, future growth and to identify and capture new opportunities.

b) Otto has a comprehensive governance framework starting with the procedures for the selection and appointment of the board of directors, board committees, associated policies and procedures, the corporate delegation of authority, and independent external financial and reserves audits.

Environmental Social & Governance (ESG)

Social License to Operate

Our business performance is underpinned by our social license to operate, that requires compliance with legislation and the maintenance of a high level of ethical behavior and social responsibility. Our business activities are subject to extensive regulation and government policy in each of the countries where we do business. Failure to comply may impact our license to operate.

a) Stakeholders have evolving expectations of social responsibility and ethical decision making. These are changing at a rate faster than governments can introduce or amend regulation.

b) A significant or continuous departure from national or local laws, regulations or approvals may result in negative social and cultural impacts, reputation and brand, and loss of license to operate.

c) Violation of international anti-bribery and corruption laws may expose Otto to fines, criminal sanctions, and civil suits, and negatively impact our international reputation. Otto proactively maintains and builds our social license to operate through the application of our values, effective stakeholder engagement strategies, our regulatory compliance framework and our anti-fraud and corruption program.

d) Otto's social related policies include its Security Trading Policy, Continuous Disclosure and Shareholder Communication Policy, Anti Bribery and Corruption Policy and Active Whistleblower policy.

Climate Change

Climate change and the transition to a lower-carbon economy influences Otto's strategy, presenting both risk and opportunity in the operation of our existing assets or commercialization of our growth portfolio. We leverage our risk management framework to ensure an integrated and coordinated approach to the management of climate change across the business. The risks posed by the transition to a lower-carbon economy are recognized given changes in policy, regulation, or social expectations in current and future markets.

a) Climate change is impacting the way that the world produces and consumes energy, and this is expected to accelerate in time. Climate change also requires adaptation to physical change. This will impact the transition to a lower carbon economy and may impact demand (and pricing) for fossil fuels.

b) Environmental Social and Governance (ESG) risks are present in Otto's operations and business locations. As a non-operator SEMS evaluation in partner selection, tracking of operational environmental data combined with COVID 19 and other safety protocols allow Otto to monitor and manage environmental risks.

4. Quarterly and Annual Review

Within the identified risk profile of the Company, risk management practices are directed towards achieving the following objectives:

a) effectiveness and efficiency in the use of the Company's resources.

b) compliance with applicable laws and regulations.

c) preparation of reliable published financial information

A quarterly and annual review of the Company's risk profile will be undertaken as part of its quarterly and annual strategic and business planning reviews and any material changes to the risk profile noted. To assist the Board to conduct these reviews, management and key executives are required to report to the Committee on:

- any material risks identified,
- how the risks are being managed,
- the implementation of any risk management or internal control system; and
- whether any breaches of the risk management policies have occurred during the preceding 12 months.

<u>Policy History</u>

Last review:	November, 2022
Review frequency:	Annually or as required