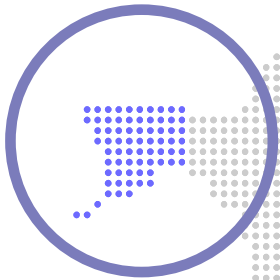




ANNUAL
REPORT **2015**

HIGH IMPACT PLAYS TARGETED

OTTO ACQUIRES
ONSHORE ALASKAN
INTEREST



PHILIPPINES PROJECT +
SC55 OFFSHORE PALAWAN +



TANZANIA PROJECTS +
KILOSA - KILOMBERO +
PANGANI +



AUSTRALIA
HEAD OFFICE



CONTENTS |

02	Chairman's Report
04	Managing Director's Report
08	Company Highlights
10	Asset Overview
11	Philippines
14	Tanzania
18	Alaska
21	Reserves and Contingent Resources
22	Summary of Assets
23	Financial Report 2015
24	Corporate Directory
25	Directors' Report
42	Auditor's Independence Declaration
43	Consolidated Statement of Profit or Loss and Other Comprehensive Income
44	Consolidated Statement of Financial Position
45	Consolidated Statement of Changes in Equity
46	Consolidated Statement of Cash Flows
47	Notes to Consolidated Financial Statements
81	Directors' Declaration
82	Independent Audit Report to the Members of Otto Energy Limited
84	ASX Additional Information

CHAIRMAN'S REPORT



DEAR SHAREHOLDERS

It is my pleasure to present the 11th Annual Report to shareholders at the close of a year that has seen a significant transition in the Company.

The most significant outcome delivered this year was the sale of the 33% working interest in the Galoc oil field for a headline number of US\$108 million as of 1 July 2014, and the subsequent distribution of 6.4 cents per share to shareholders. I am proud of this major achievement by Otto Energy's management, who have delivered on our strategy to create value for shareholders. The sale of Galoc was a timely transaction given the subsequent decline in oil price and the proceeds from the sale have positioned Otto Energy in an enviable position of financial strength among our peers.

The completion by Otto to divest the 33% interest in the Galoc Oil field maximised and monetised the inherent value of the Galoc Interest after the successful completion of the Galoc Phase II expansion.

The transaction demonstrates Otto's commitment to creating shareholder value, through monetising a key asset and delivering a significant return to shareholders, whilst simultaneously funding a highly prospective exploration program.

The Company has also maintained its commitment to longer term growth through exploration and during the year our technical team remained focussed on this objective. Significant achievements included executing the drilling of the Hawkeye-1 well offshore Philippines, acquiring new seismic and preparing for drilling in Tanzania and obtaining entry into the prospective North Slope in Alaska.

We look forward to the coming financial year, during which Otto Energy plans to maintain its current high level of activity. Highlights for the coming period include:

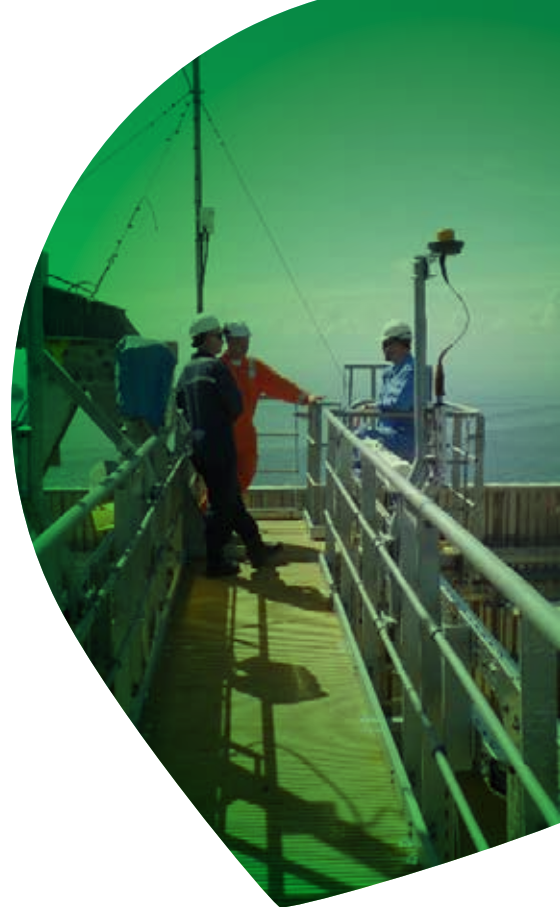
- Preparation for the first ever onshore exploration wells to be drilled in Tanzania in 2016;
- Seismic acquisition and drilling in the prospective North Slope acreage in Alaska;
- Completing assessment of Hawkeye-1 hydrocarbon discovery and seeking to secure partners to drill follow-up prospects in SC55 offshore the Philippines; and
- Assessing further business development opportunities.

The ability to monetise the Galoc asset at such a fortuitous time augers well for Otto Energy's capacity to capture opportunities for FY2016 and beyond – the early identification of such opportunities has already commenced in FY2016. The core goal of the Board and Management continues to be the creation of sustainable, long term value for all shareholders.

I thank you, our shareholders, for your continued support through this past year and as we move forward. I also thank my fellow Directors, Management team and staff in Perth and overseas for their continued commitment.



Rick Crabb
Chairman



MANAGING DIRECTOR'S REPORT



DEAR SHAREHOLDERS

Welcome to Otto Energy's Annual Report for FY2015.

This year has been one of significant transition for the Company following the sale of our interest in the producing Galoc oil field, which along with preparation for the drilling of the Hawkeye-1 exploration well, consumed a large proportion of our focus. The support of Otto's shareholders, staff and my fellow directors throughout this challenging and rewarding transition period has been greatly appreciated.

Otto Energy's primary objective is to grow shareholder value, through:

- Sound financial management;
- The application of technical and commercial rigour in the building of a focussed pipeline of exploration and appraisal projects selected for their prospectivity and favourable fiscal regimes; and
- Making considered commercial decisions via an understanding of the oil and gas asset life cycle and external market influences.

The Company delivered several key achievements during FY2015 across each of these elements.

Galoc Oil Field Divestment and Distribution of funds to Shareholders

In February 2015, Otto completed the divestment of its 33% interest in the Galoc oil field located offshore Philippines, to Nido Petroleum Ltd for a headline value of US\$108 million with an effective date of 1 July 2014. Following completion of the sale, a distribution to shareholders of A\$0.064 per share was made in June 2015.

Consistent with our focus on delivering value to our shareholders, the divestment on such favourable terms at the peak of the oil price cycle and the subsequent distribution to shareholders was an excellent result.

Exploration

Exploration is critical to the growth of any oil & gas company, and Otto has continued to progress opportunities in its Philippines and Tanzanian exploration assets. More recently, the Company acquired an interest in acreage located on the highly prospective Alaska North Slope, which has the potential for high impact exploration and appraisal success.

In Service Contract 55 in the Philippines, Otto Energy successfully executed a farm-out strategy via the participation of Red Emperor Resources NL and Pryce Gases Inc in the drilling campaign of Hawkeye-1. Hawkeye-1 was drilled in August 2015, safely and significantly under budget. The successful farm-outs along with funding contributions from BHPB, saw Otto fully carried on the well.

The hydrocarbons discovered at Hawkeye were at the low end of expectation and will be uneconomic to develop. However, the drilling results proved up a new petroleum system and will now be incorporated into our understanding of the remaining leads and prospects in the permit.

In Tanzania, Otto and its joint venture partner, acquired a further 600km of 2D seismic to better understand the geology of the basins and firm up structures ahead of drilling in 2016. The Kilombero Basin 'Kito' prospect is drill ready with un-risked net prospective resource 60.4 MMbbl to Otto. With a large working interest Otto will consider farm-outs to reduce cost exposure and risk during drilling.

OTTO HAS
CONTINUED
TO PROGRESS
OPPORTUNITIES
IN ITS PHILIPPINES
AND TANZANIA
EXPLORATION
ASSETS.



Throughout the year, Otto actively assessed a great many new venture and business development opportunities. As a result of this process, in August 2015, Otto made an initial entry into the prospective Alaskan North Slope to earn between 8 to 10.8% working interest in a large (558,195 acre) position operated by Great Bear Petroleum. The acreage has extensive 3D seismic coverage, existing well control and is close to the all-weather Dalton Highway and Trans-Alaska Pipeline System. The upcoming northern winter operating season will expose Otto to 3D seismic acquisition and drilling.

The Alaskan North Slope is one of the world's most prolific oil and gas exploration and production areas. This acquisition positions Otto with significant exposure to this highly prospective area, through the ability to participate in multiple appraisal and exploration wells in the coming year.

Corporate

Otto's balance sheet has remained strong with a closing cash position of US\$41.2 million and no debt at year end. Otto's cash position and the free carry on Hawkeye-1 means Otto is well placed to fund the high impact forward exploration programs.

Thank you once again for your ongoing support of Otto Energy and I look forward to reporting upon a similarly very successful year in FY2016.



Matthew Allen
Managing Director &
Chief Executive Officer





MAERSK VENTURER

COMPANY HIGHLIGHTS 2015

Successful sale of **33%** working interest in Galoc oil field for a headline value of **US\$108 million**.

Return of funds of **AUD 6.4 cents** per share to Shareholders.

Further acquisition of seismic for Pangani and Kilosa-Kilombero PSA's in Tanzania ahead of drilling in 2016.

Preparation for Hawkeye-1 exploration well in SC55 offshore Philippines ('SC55') and successful farm out campaign.





Post the sale of the Galoc oil field, Otto Energy Ltd ('Otto' or the 'Company') has focussed on the transition to becoming a company with a balanced portfolio of high quality exploration and appraisal type assets.

Post the period, Otto drilled the Hawkeye-1 exploration well in SC55. These operations were completed safely and well below budget expectations. In addition, the Company acquired an interest in an exploration/appraisal asset on the Alaskan North Slope via the acquisition of Borealis Petroleum Pty Ltd.



ASSET OVERVIEW

PHILIPPINES

Service Contract 55

Ownership: Otto Energy 78.18%, and Operator

Status: Exploration

Location: Offshore - Palawan Basin, Philippines

Area: 9,880km²

- Otto free-carried on Hawkeye-1 exploration well through:
 - Farm out of 15% working interest Red Emperor Resources NL ('Red Emperor')
 - Farm in option executed with Pryce Gases Inc ('Pryce Gases') for 10% working interest
 - Funding up to US\$24.5m from BHPB to be paid to Otto for the Hawkeye well
- Hawkeye exploration well drilled in August 2015 with new petroleum system discovered
- Hawkeye well results to be incorporated into understanding of remaining prospects in SC55.

Service Contract 55 ('SC55') is located in the southwest Palawan Basin and covers an area of 9,880km² and was awarded to Otto Energy Investments Ltd (formerly NorAsian Energy Ltd) in 2005. It is a deep-water block in the middle of a proven regional oil and gas fairway that extends from the productive offshore Borneo region in the southwest to the offshore Philippine production assets northwest of Palawan.

SC55 contains a number of distinct exploration play types including the material Cinco carbonate gas/condensate prospect, as well as a number of follow-up leads. The permit provides material opportunity and a series of possible drill targets which will be reviewed in light of the results of the Hawkeye-1 well.

Hawkeye-1 Exploration Well

In August 2015, the Hawkeye well was drilled to 2,920 metres. Hydrocarbons were logged between 2,710 and 2,737 metres in reservoir of variable quality. Cuttings returns provided indications of fluorescence – usually an indicator of liquid hydrocarbons.

The Hawkeye well has proven a petroleum system exists in the south west Palawan area and the existence of a source kitchen has reduced the geological risk of remaining prospects, including Cinco. Whilst the volume of hydrocarbons discovered at Hawkeye was sub-economic, other prospects on trend are likely to be hydrocarbon bearing and require re-estimation of potential resources.

The well was drilled in 19.5 days. Final well cost is expected to be less than US\$25 million; as a result of funding contributions from BHPB, Red Emperor and Pryce Gases, Otto was fully carried on the cost of drilling.

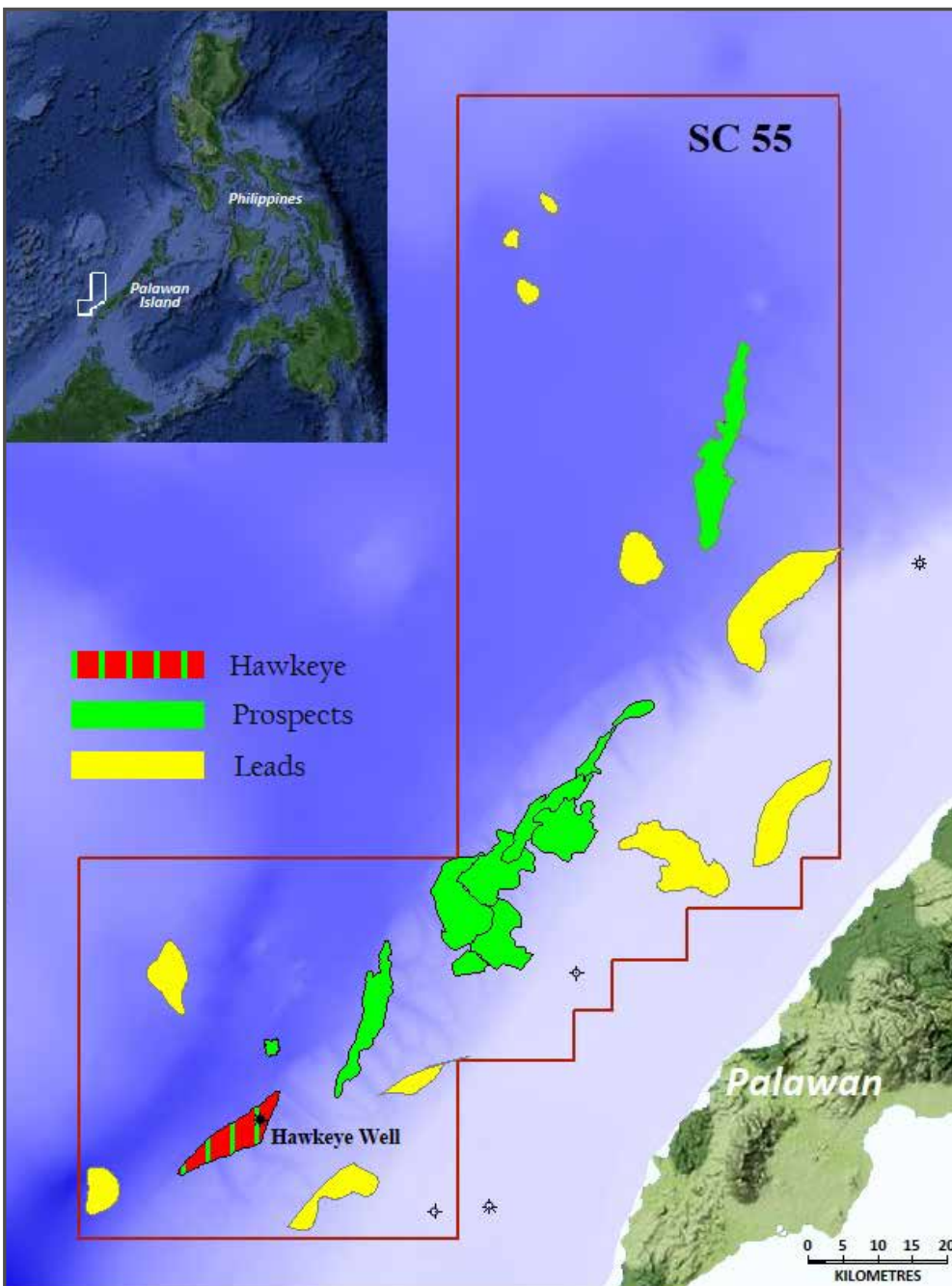


PHILIPPINES

Cinco Prospect

The Cinco gas/carbonate prospect was identified as part of a 1,800km² 3D seismic program undertaken by BHPB in 2010 that focused on a trend of carbonate prospects and leads, with Cinco being analogous to the Malampaya producing gas/condensate field in the Philippines. Cinco contains a 'Best Estimate' GIIP of 2.4 Tcf with a 'Best Estimate' Net Prospective Resource of 1.1 Tcf of gas and 38 MMbbls of associated condensate (Condensate Gas Ratio 35 bbls/MMscf). The Net Prospective Resources reflect working interest for Otto of 78.18% and net of Government Share of profit oil.

In addition to Cinco, several other large carbonate prospects have been identified on 3D seismic and will be subject of further evaluation by Otto. Success at Cinco would high grade many of these adjacent large analogue structures in SC55, which, in combination, would have the potential to unlock a large new gas province.



PHILIPPINES

Name	Percentage
OEL (through 100% subsidiaries Otto Energy Investments Ltd and Otto Energy Philippines Inc.)	78.18%* (Operator)
Century Red Pte Ltd (subsidiary of Red Emperor Resources NL)	15%
Palawan 55 Exploration and Production Corporation (formerly Trans-Asia Oil & Energy Development Corporation)	6.8%

* A farm in option was executed with Pryce Gases Inc in July 2015 for a 10% working interest.

Sub-Phase	Date	Commitment
4	Aug 11 – Dec 15	1 Deepwater Well COMPLETED AUGUST 2015
5	Dec 15 – Dec 16	1 Deepwater Well
Extension Period	Further 1 year allowed	

SC55 Prospective Resources:

The arithmetically aggregated gas/condensate prospect and lead inventory including Cinco, contains a 'Best Estimate' GIIP of ~17 Tscf with a 'Best Estimate' Net Prospective Resource of ~8 Tscf of gas and 268 MMbbls of condensate.

SC55 Portfolio - Gas. Arithmetic Aggregation (Bscf)			
	P90	P50	P10
GIIP	2,325	17,141	71,064
Gross Prospective Resource	1,545	11,527	48,207
Net Prospective Resource	366	2,729	11,414

Significant Regional Projects:

- Malampaya gas and condensate project, operated by Shell, offshore Palawan, Philippines
 - Offshore gas and condensate project commissioned in 2001, produces approximately 2,700 megawatts of power for the main island of the Philippines, Luzon
- Keabangan cluster of gas and condensate fields, operated by Keabangan Petroleum Operating Company (Petronas, Shell and ConocoPhillips), offshore Sabah, Malaysia
 - Large gas aggregation offshore Sabah with export to the Bintulu LNG plant



TANZANIA

Key Highlights

Ownership: Otto Energy 50% of the Pangani and Kilosa-Kilombero Production Sharing Agreements.

Status: Exploration

Location: Onshore, Tanzania

Area: ~34,000km²

- Tata Petroleum has farmed in for a 25% interest in both licences, reducing Swala Energy's (ASX:SWE) equity interest to 25%
- Planning for the drilling of an exploration well in each licence in 2016 has commenced – these will be the first wells drilled in each permit

Overview

The Production Sharing Agreements (PSA) were awarded by the Government of the United Republic of Tanzania on 20 February 2012, with the overall Kilosa-Kilombero and Pangani licence areas covering a gross area of almost 34,000km².

Overview of Exploration Activities

Following the award of the licences in 2012, the joint venture partners conducted analysis of legacy gravity and magnetic data as well as the acquisition of new airborne gravity and magnetic data. Analysis of both data sets confirmed the presence of a significant sedimentary basin at Kilosa-Kilombero and identified a possible significant sedimentary basin at Pangani.

Exploration success and Otto acreage



TANZANIA

In 2013, the joint venture undertook a 2D seismic program over both exploration licence areas, which yielded positive results indicating Neogene aged basins in both Pangani and Kilosa-Kilombero. The latter appeared analogous to large discovery areas in Kenya and Uganda. In February 2014, the joint venture partners agreed to enter into Years 3 and 4 of the licences. Additional seismic data was acquired to allow optimal well positioning for commitment wells in each licence area.

In August 2015, a 1 year extension was received for the current exploration period which will see one exploration well drilled in each licence area before February 2017.

KILOSA-KILOMBERO PSA

Ownership: Otto Energy 50%

Status: Exploration

Location: Onshore East Africa

Area: 17,675km²

Work undertaken by the joint venture has confirmed the presence of three basins, each of about 2,000km² in area. The northern two basins at Kilosa and Kidatu are estimated to contain 6,000m to 7,000m of sediment. Some of the sediment is likely to be of Karoo age but there is potential for some Neogene fill.

The southern Kilombero basin is believed to be predominantly Neogene in age. Neogene aged rift basins similar to that observed in the license area have reservoirized billions of barrels of oil as evidenced in both Uganda and Kenya.

During the second year of the contract the joint venture acquired 110km 2D seismic over the Kilosa-Kilombero basin, with results indicating large scale structures and sediments similar to the oil basins of Lokichar (Kenya) and Lake Albert (Uganda) where Africa Oil and Tullow Oil have had significant success.

The results of this seismic program identified the Kito prospect, which indicated a prospective resource of between 19.2 MMbbls and 169.6 MMbbls net to Otto, with a best estimate of 60.4 MMbbls.

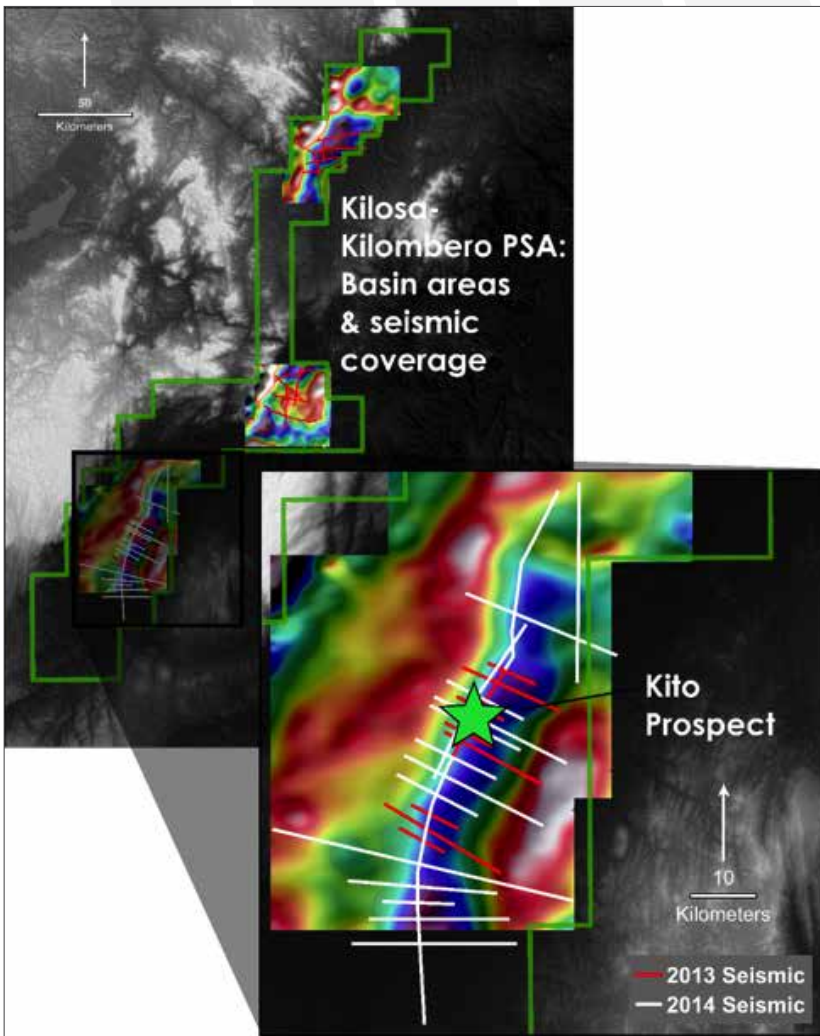
A 2014 program to acquire 430 km of additional 2D seismic data across the Kilombero basin was undertaken during Q4 2014. The focus of the program was to:

1. Provide additional lines across the 'Kito' prospect, in order to assist its development into a drillable target.
2. Cover other portions of the basin which according to the initial 2013 seismic data and earlier remote sensing data have the potential to contain additional leads and prospects.

The new 2D data has been processed and detailed technical evaluation has been completed during Q3 2015 ahead of drill planning to prepare for an exploration well in 2016.



TANZANIA



Kilombero 2014 Seismic Program

PANGANI PSA

Ownership: Otto Energy 50%

Status: Exploration

Location: Onshore East Africa

Area: 17,156km²

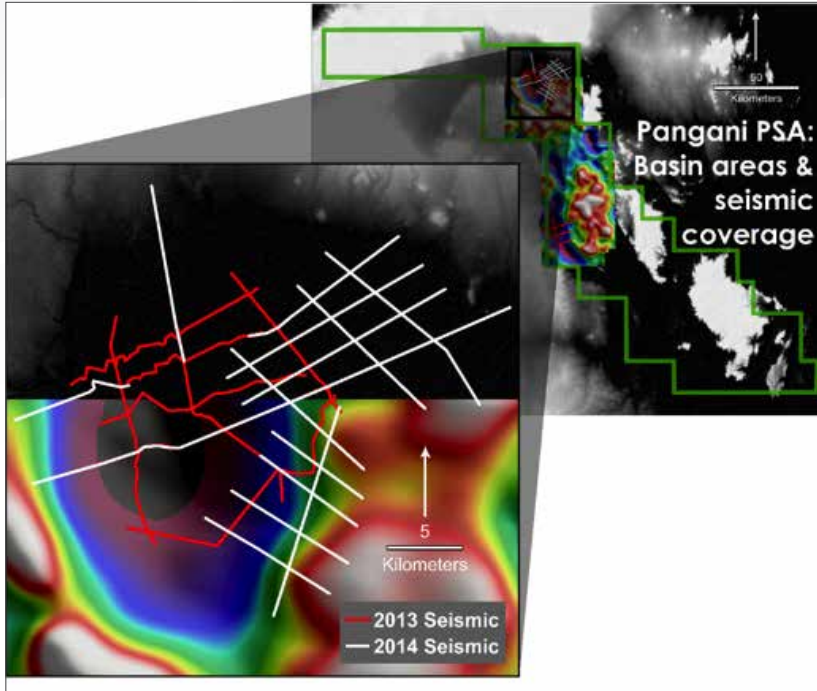
During 2013 a total of 200km of 2D seismic data was acquired over the Pangani licence, specifically focused on the Mvungwe and Moshi basins originally recognised from regional gravity and magnetics data.

The results from the seismic survey show that the Moshi basin, in the north of the licence area, appears to be a deep basin with sedimentary fill of probable Neogene age. Additionally, the data suggests the basin is fault-bounded, 25km wide and with basin fill between 2,000m and 3,000m depth.

TANZANIA

Results also indicate that the Mvungwe basin, located in the south of the licence area, is less than 1,000m deep and contains sediments of probably Neogene age.

During Q3 2014, a further 200km of 2D seismic data were acquired across the Moshi basin area. The focus of the survey was to better understand the geometry of the basin and firm up structures for drilling. Processing of new data has been completed and technical analysis was completed during Q2 2015. Several leads have been identified which required further review before they can be elevated to prospect status.



Pangani 2014 Seismic Program

Kilosa-Kilombero and Pangani Block Participants

Otto Energy (Tanzania) Pty Ltd (100% subsidiary of Otto)	50%
Swala Oil and Gas (Tanzania) Plc	25% (Operator)
Tata Petrodyne Limited	25%



ALASKA

Ownership: Otto Energy 8-10.8%

Status: Exploration

Location: Onshore North Slope Alaska

Area: 2,259km²

In August 2015, Otto acquired the right to earn an interest, through staged capital injections, in a substantial acreage position on the highly prospective, oil prone, onshore Alaskan North Slope held by Great Bear Petroleum Operating LLC ('Great Bear').

Through its agreements with Great Bear, Otto has the right to acquire an 8% and 10.8% working interest (equivalent to 58,334 net acres) in two areas of Alaskan North Slope exploration acreage held by Great Bear.

About the Alaskan North Slope

Alaska contains some of the largest conventional oil fields in North America and has produced more than 17 billion barrels of oil and 13 trillion cubic feet of natural gas. The US Geological Society (USGS) estimates that the Alaskan North Slope has the potential to hold 40 billion barrels of conventional oil and over 200 trillion cubic feet of conventional gas. Whilst Otto and its partners' focus will be on conventional oil, the unconventional oil plays located in this acreage also contain significant potential and Otto will have access to its proportionate share of any resource through its deal with Great Bear.

The size and potential of the opportunities on the Alaskan North Slope see it as home to super majors such as Conoco, Shell, ExxonMobil, Repsol, ENI, Statoil and BP. Recent exploration drilling by Repsol in adjacent acreage has yielded a significant conventional oil discovery in the Kuparuk play sands; similar opportunities at this play level have already been identified in the Great Bear North Slope acreage. The Repsol well discovered several distinct oil accumulations and encountered a 650 foot oil column and 150 feet of net pay and is likely a multi-hundred million barrel oil discovery. This discovery was made after Repsol had farmed in to a 350,000 net acre position in 2011 in a deal valued at US\$760 million.

Further, financial incentives provided by the Alaskan Government to attract investment in the North Slope provides Alaska with the most attractive fiscal regime in North America and one that ranks very highly on a global scale. These incentives include:

- 75% to 85% exploration and development cash rebates;
- Flat rate production tax of 35% (previously taxes varied between 25-75% depending on profitability criteria);
- 12.5% state royalty; and
- Various production tax exemptions for new oil production.

Oil production can be transported through the Trans Alaska Pipeline System ('TAPS'), which runs through the Great Bear acreage. TAPS provides regulated open access to domestic and international markets and presently has around 1.0 mmbopd spare capacity.

Alaska is the only US state able to export oil under current regulations. Alaska's geographical location provides safe and effective shipping routes for crude exports into the Asian markets, allowing Alaskan projects to provide a strategic long-term petroleum reserve for the Asian region.

ALASKA

About the Great Bear Acreage

Great Bear is a private exploration company focused on exploring and developing conventional and unconventional resources on the North Slope of Alaska. Great Bear is the largest exploration leaseholder on the North Slope, having taken a position in a major play fairway south of the Prudhoe Bay and Kuparuk fields.

Great Bear is the dominant exploration acreage holder in this highly prospective basin; holding 558,195 gross acres. Great Bear has undertaken significant exploration work on the acreage since 2011 with a cumulative spend in excess of US\$150 million. This work includes:

- Acquisition and processing of approximately 1800km² of 3D seismic data.
- Drilling of 2 unconventional stratigraphic test wells which cored 3 primary unconventional targets. Results from these wells indicate that the majority of the Great Bear acreage is expected to be liquids rich. These wells also encountered light oil in various conventional formations.
- Drilling of a conventional exploration well (Alkaid-1) which specifically targeted a 3D defined Brookian reservoir. The Alkaid well results are under evaluation.

The extensive, modern 3D seismic coverage, existing well control and proximity to the all-weather Dalton Highway and TAPS means that the Great Bear joint venture is well positioned to test numerous prospects during the 2015-6 and 2016-7 northern winter drilling seasons.



ALASKA

The Great Bear acreage lies in the established conventional play fairways of the Ivishak, Kuparuk and Brookian sand reservoir systems in a region demonstrating oil maturity.

- The Brookian turbidite fans are productive at offset Tarn, Meltwater and Tabasco Fields (field sizes of around 100mmb to 300mmb in place).
- The Ivishak formation is the primary producing reservoir at the Prudhoe Bay Field (25 billion barrels of oil in place).
- The Kuparuk sand play is regionally productive with the Kuparuk Field holding 5.9 billion barrels of oil in place and was also the target of the recent substantial oil discovery made by Repsol.

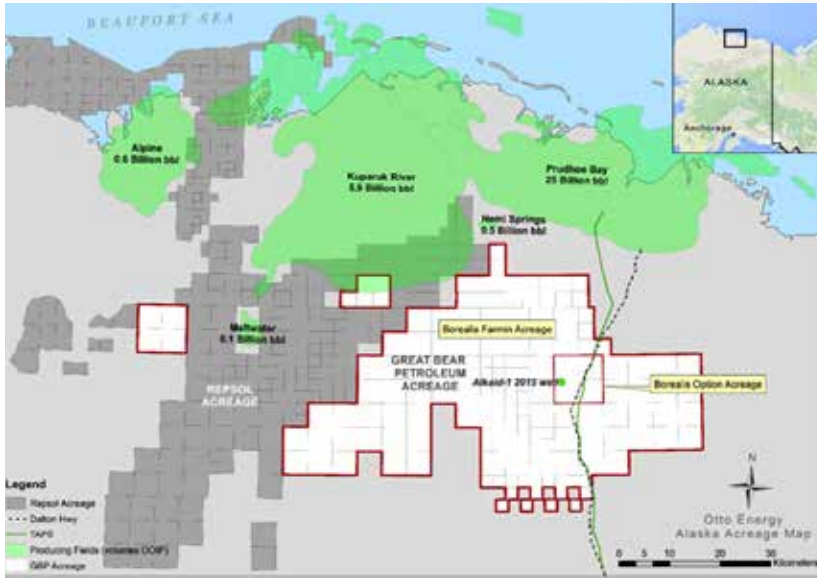
The play types exhibited in the prospects so far identified by Great Bear have been the basis for other significant conventional oil discoveries in and around the Alaskan North Slope with discovered recoverable volumes being in the hundreds of millions of barrels. The size of these other discoveries within these plays provides an indication of the potential of Great Bear acreage in the success case.

In terms of unconventional potential, the North Slope is rated by the USGS as being potentially one of the last remaining material oil shale plays in the US. The North Slope contains three world class source rocks - Shublik, Kingak and Hue/HRZ shales. All three of these source rocks are in existence within the Great Bear acreage. This substantial unconventional play will be the subject of a longer term evaluation program with the immediate focus of the joint venture being on the conventional oil potential.

Multinational oil and gas services company, Halliburton farmed into a portion of the Great Bear acreage in 2011. Halliburton currently holds a 25% working interest in 126,186 gross acres. Halliburton's interest ensures the joint venture exposure to leading edge experience and technology in developing unconventional plays and will ensure that this aspect of the exploration potential continues to be progressed in conjunction with the planned 2015 and 2016 conventional exploration work program.



ALASKA



Map showing Great Bear acreage highlighted in red and proximity to other fields.

Great Bear Alaska North Slope Participants

Otto (through 100% owned subsidiary, Borealis Alaska LLC)	8-10.8%
Great Bear Petroleum Operating LLC and affiliated companies	67-89.2% (Operator)
Halliburton Energy Services, Inc	0-25%

Reserves and Contingent Resources

Governance

The reserve and contingent resource information in this report is based on information compiled by Mr Paul Senyica BSc (Hons) (Mining Engineering), MAppSc (Exploration Geophysics), who has consented to the inclusion of such information in this report in the form and context in which it appears. Mr Senyica is a full time employee of the Company, with more than 30 years relevant experience in the petroleum industry and is a member of The Society of Petroleum Engineers (SPE).

Reserves and contingent resources have been estimated using both probabilistic and deterministic methods. Otto is not aware of any new information or data that materially affects the assumptions and technical parameters underpinning the estimates of reserves and contingent resources and the relevant market announcements referenced continue to apply and have not materially changed.

The estimated quantities of petroleum that may potentially be recovered by the application of future development projects relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Summary of Assets

Asset	OEL Working Interest	Joint Venture Partners		Notes
The Philippines				
SC55 Exploration block, Southwest Palawan Basin	78.18% (Operator)	Palawan 55 Exploration and Production	6.82%	Otto carrying Filipino partner through drilling of two wells. There is 1% Gross Overriding Royalty to RGA on Otto share. Trans-Asia also has a right to acquire an additional 5% equity from Otto. Farm in option executed with Pryce Gases Inc in July 2015 for a 10% working interest.
		Century Red Pte Ltd	15%	
SC73 Offshore Mindoro-Cuyo Block	100% (Operator)	-	-	Otto gave notice of relinquishment in July 2015.
Tanzania				
Kilosa-Kilombero PSA	50%	Swala Oil and Gas (Tanzania)	25%	Permit acquired in February 2012 Current exploration period extended to February 2017
		Tata Petrodyne Limited	25%	
Pangani PSA	50%	Swala Oil and Gas (Tanzania)	25%	Permit acquired in February 2012 Current exploration period extended to February 2017
		Tata Petrodyne Limited	25%	
Alaska				
Alaskan North Slope	8-10.8%	Great Bear Petroleum Operating LLC	67%-89.2%	154 leases covering 2,259km ² make up the Great Bear Alaskan North Slope Acreage Otto entry made in August 2015
		Halliburton Energy Services, Inc	0-25%	



FINANCIAL REPORT 2015

Contents

Corporate Directory	24
Directors' Report	25
Auditor's Independence Declaration	42
Consolidated Statement of Profit or Loss and Other Comprehensive Income	43
Consolidated Statement of Financial Position	44
Consolidated Statement of Changes in Equity	45
Consolidated Statement of Cash Flows	46
Notes to Consolidated Financial Statements	47
Director's Declaration	81
Independent Audit Report to the Members of Otto Energy Limited	82
ASX Additional Information	84

CORPORATE DIRECTORY

For The Year Ending 30 June 2015

Directors	Mr Rick Crabb – Non-Executive Chairman Mr Matthew Allen – Managing Director and Chief Executive Officer Mr Rufino Bomasang – Non-Executive Director Mr John Jetter – Non-Executive Director Mr Ian Macliver – Non-Executive Director Mr Ian Boserio – Non-Executive Director
Company Secretary	Mr Neil Hackett (appointed 1 April 2015) Mr Scott Blenkinsop (resigned 1 April 2015)
Key Management Personnel	Mr Matthew Allen – Managing Director and Chief Executive Officer Mr Paul Senyca – Vice President Exploration and New Ventures Mr Craig Hasson – Chief Financial Officer Mr Matthew Worner – Commercial Manager (appointed 9 March 2015)
Principal registered office in Australia	32 Delhi Street West Perth WA 6005 Tel: + 61 8 6467 8800 Fax: + 61 8 6467 8801
Share Register	Link Market Services Limited 178 St Georges Terrace Perth WA 6000 Tel: + 61 8 9211 6670 Fax: + 61 2 9287 0303
Auditors	BDO Audit (WA) Pty Ltd 38 Station Street Subiaco WA 6008 Tel: + 61 8 6382 4600 Fax: + 61 8 6382 4601
Stock Exchange Listings	Australian Securities Exchange Level 8, Exchange Plaza 2 The Esplanade Perth WA 6000 ASX Code: OEL
Banks	Westpac Banking Corporation Level 17, 109 St Georges Terrace Perth WA 6000 Tel: + 61 8 9426 2580 Fax: + 61 8 9426 2288
Website address	www.ottoenergy.com
ABN	56 107 555 046

DIRECTORS' REPORT

For The Year Ending 30 June 2015

Your Directors present their report on the consolidated entity (referred to hereafter as the "consolidated entity" or the "Group") consisting of Otto Energy Limited and the entities it controlled at the end of, or during, the year ended 30 June 2015.

Directors

The Directors in office at any time during the financial year or since the end of the financial year are:

Mr Rick Crabb
Mr Matthew Allen (appointed 24 June 2015)
Mr Rufino Bomasang
Mr John Jetter
Mr Ian Macliver
Mr Ian Boserio

Directors have been in office from 1 July 2014 until the date of this report unless otherwise stated.

Company Secretary

Neil Hackett (appointed 1 April 2015)

Principal Activities

The principal activity of the consolidated entity continued to be investment in oil and gas exploration, development and production in the Philippines and East Africa.

Dividends – Otto Energy Limited

During the financial year, Shareholders approved a capital return to shareholders of AUD\$0.0564 per share, on 26 June 2015. The Board of Directors also resolved to pay an unfranked dividend of AUD\$0.0076 per share, to be paid on 26 June 2015. The record date for entitlement to this dividend was 16 June 2015. The financial impact of this capital return and dividend amounting to AUD\$74.52m has been recognised in the Financial Statements for the year ended 30 June 2015. No dividends were paid or declared by the Group during the previous financial year.

Review of Operations

A review of the operations of the consolidated entity during the financial year and the results of those operations are set out in the review of operations, refer to pages 8 to 22.

Financial Summary

The consolidated entity recognised a loss after income tax for the year from continuing operations, of \$6.79m (2014: loss of \$30.20m), as a result of the discontinuation and divestment of the Group's remaining producing investment, Galoc Production Company WLL (GPC) on 17 February 2015.

The net profit after discontinued operations for the financial year ending 30 June 2015 was \$26.00m (2014: net loss of \$0.09m), which was due to the sale of GPC and profit from GPC operations totalling \$32.79m.

Significant changes in state of affairs

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

- On 20 January 2015 shareholder approval was received for Otto to divest 100% of the shares in the GPC, the holder of Otto's 33% interest in the Galoc oil field located in Service Contract 14C (Galoc Interest), to Nido Petroleum Ltd. Completion of the transaction was achieved on 17 February 2015.
- Otto entered into a farm-in agreement with Red Emperor Resources NL for a 15% working interest in SC55.
- Otto commenced preparation for Hawkeye-1 exploration well.

DIRECTORS' REPORT (continued)

For The Year Ending 30 June 2015

Matters subsequent to the end of the Financial Year

On 21 July 2015 the Company acquired 100% of the issued capital of Borealis Petroleum Pty Ltd, to earn an interest, through staged capital injections, in a substantial acreage position in onshore Alaskan North Slope, held by Great Bear Petroleum Operation LLC. Borealis Petroleum Pty Ltd was acquired through the issue of 17,518,250 shares in the Company.

On 27 July 2015 Red Emperor Resources received approval from the Department of Energy in Philippines for the farm-in of a 15% working interest into SC55.

On 30 July 2015 Pryce Gases Inc agreed to a farm-in option for a 10% working interest in the drilling of the Hawkeye-1 exploration well.

Hawkeye-1 drilling was completed to a depth of 2,920 metres in August 2015 with uneconomical quantities of hydrocarbons discovered. Hawkeye-1 was plugged and abandoned, and is currently undergoing analysis to incorporate into the Company's understanding of its other SC55 prospects, including Cinco.

Likely developments and expected results of Operations

Likely developments in the operations of the consolidated entity constituted by Otto Energy Limited and the entities it controls from time to time that were not finalised at the date of this report included:

- Complete staged entry into Alaska and participate in upcoming 3D seismic and drilling program.
- Commence drilling planning in Tanzania.
- Incorporate Hawkeye-1 drilling results into understanding of remaining SC55 leads and prospects.

Additional comments on expected results of certain operations of the group are included in the review of operations on pages 8 to 22.

In accordance with its objectives, the consolidated entity intends to participate in a number of exploration and appraisal wells and will consider growing its exploration effort by farm-in, permit application and/or acquisition within its existing operational focus areas and in other suitable countries or regions. Further information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this annual financial report because the Directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental Regulation

So far as the Directors are aware, there have been no breaches of environmental conditions of the Group's exploration or production licences. Procedures are adopted for each exploration program to ensure that environmental conditions of the Group's tenements are met.

DIRECTORS' REPORT (continued)

For The Year Ending 30 June 2015

Information on Directors and Key Management Personnel

Mr Rick Crabb BJuris (Hons), LLB, MBA, FAICD. Chairman (Independent Non-Executive)	
Date appointed	19 November 2004
Experience and expertise	Mr Rick Crabb holds degrees in law and business administration from the University of Western Australia. Mr Crabb practised as a solicitor from 1980 to 2004, specialising in resources, corporate and commercial, with considerable offshore experience. Mr Crabb now focuses on his public company directorships and investments.
Other current directorships	Chairman, Non-Executive Director of Golden Rim Resources Limited from 22 August 2001, Platypus Minerals Limited (formerly Ashburton Minerals Limited) from 1 September 1999 and Paladin Energy Limited from 8 February 1994.
Former directorships in last 3 years	None
Special responsibilities	Audit and Compliance Remuneration and Nomination Committee
Interest in shares and options	17,795,052 ordinary shares of Otto Energy Limited.
Mr Matthew Allen BBus, FCA, F Fin, GAICD. Managing Director and Chief Executive Officer	
Date appointed	24 June 2015
Experience and expertise	Mr Matthew Allen was appointed Managing Director in June 2015 and Chief Executive Officer in February 2014 after joining Otto in 2009 as Chief Financial Officer. Mr Allen has played an integral role in implementing Otto's strategy. Mr Allen's experience lies in the operation and management of oil and gas companies with particular focus on strategic, commercial and financial aspects of the business. Mr Allen previously spent 8 years with Woodside Energy working with many of Woodside's assets and has had global upstream oil and gas industry experience in Asia, Africa, Australia and the Middle East.
Interest in shares and options	3,643,000 ordinary shares in Otto Energy Limited and performance rights of 4,700,000.
Mr John Jetter BLaw, BEcon, INSEAD. Director (Independent Non-Executive)	
Date appointed	10 December 2007
Experience and expertise	Mr John Jetter is the former Managing Director, CEO and head of investment banking of JP Morgan in Germany and Austria, and a member of the European Advisory Council, JP Morgan London. Mr Jetter has held senior positions with JP Morgan throughout Europe, focusing his attention on major corporate clients advising on some of Europe's largest corporate transactions. Formerly Chairman of the Board of Rodenstock AG, Germany, Deputy Chairman of the Board of European Business School and Chairman of the Finance Facility, Oestrich-Winkel, Germany.
Other current directorships	Non-Executive Director of Venture Minerals Limited since 8 June 2010 and Non-Executive Director of Peak Resources Limited since 1 April 2015.
Former directorships in last 3 years	None
Special responsibilities	Remuneration and Nomination Committee
Interest in shares and options	16,089,175 ordinary shares of Otto Energy Limited.
Mr Ian Macliver BCom, FCA, SF Fin, FAICD. Director (Independent Non-Executive)	
Date appointed	7 January 2004
Experience and expertise	Mr Ian Macliver is Managing Director of Grange Consulting Group Pty Ltd, which provides specialist corporate advisory services to listed and unlisted companies. Mr Macliver has held senior Executive and Director roles of both resource and industrial companies, specifically responsible for capital raising and other corporate initiatives.
Other current directorships	Non-Executive Chairman of Western Areas Limited since November 2013 (Non-Executive Director since October 2011).
Former directorships in last 3 years	Non-Executive Director of Rent.com.au Limited (formerly Select Exploration Limited) from September 2010 to June 2015. Non-Executive Director of Range Resources Limited from June to August 2014, Non-Executive Director of JCurve Solutions Limited (formerly Stratatel Limited) from July 2000 to October 2013.
Special responsibilities	Audit and Compliance Remuneration and Nomination Committee
Interest in shares and options	4,549,721 ordinary shares of Otto Energy Limited.

DIRECTORS' REPORT (continued)

For The Year Ending 30 June 2015

Mr Ian Boserio BSc Hons First Class (Geophysics), BSc (Geology). Director (Independent Non-Executive)

Date appointed	2 September 2010
Experience and expertise	Mr Ian Boserio brings to the Otto Board more than 33 years international experience in the oil and gas business, focused predominantly on exploration and management. Mr Boserio spent 26 years with Shell. In his last role leading Australia and NZ Exploration and New Business, Mr Boserio and his team doubled Shell's LNG portfolio, enabling several LNG projects and adding a total resource base of approximately 15 Tcf. Previous international postings with Shell included Australia, North Sea, the Middle East, India and Indonesia, plus a five year secondment into Woodside as the Australia Exploration Manager. He is currently co-owner and Technical Director of private oil and gas company Pathfinder Energy.
Other current directorships	Technical Director, Pathfinder Energy
Former directorships in last 3 years	Non-Executive Director of Nexus Energy Limited November 2009 to October 2012
Special responsibilities	Audit and Compliance
Interest in shares and options	None

Mr Rufino Bomasang BSc (Min Eng), Master in Business Economics (Phil). Director (Independent Non-Executive)

Date appointed	18 August 2006
Experience and expertise	Mr Rufino Bomasang, formerly a mining engineer, having worked in recent years as an International Energy and Mining Consultant, focused on the development of untapped indigenous energy resources in the Philippines. From 1996 to 2004 Mr Bomasang was President and CEO of Philippine National Oil Company Exploration Corporation. Mr Bomasang previously worked with the United States Agency for International Development as an Energy Consultant, providing technical assistance to the Philippine Department of Energy.
Other current directorships	Non-Executive Chairman of Otto Energy Investments Limited and Otto Energy Philippines Inc., subsidiaries of Otto Energy Limited.
Former directorships in last 3 years	None
Special responsibilities	None
Interest in shares and options	None

Mr Paul Senycia BSc (Hons) MAppSc (Geophysics) Vice President Exploration and New Ventures

Date appointed	12 April 2010
Experience and expertise	Mr Paul Senycia has more than 30 years of international oil and gas business experience in Australia, North and West Africa, North America, Europe and Asia. Mr Senycia also has significant experience in all facets of the upstream oil and gas exploration business including: executing seismic and drilling programs; capturing new venture opportunities; joint venture relationship; and farm in/out management. Mr Senycia has spent the majority of his career with Woodside Energy and Shell International with roles in Australia, Europe and the Middle East. He was Head of Evaluation at Woodside and subsequently Exploration Manager at Oilex before joining Otto Energy in April 2010.
Interest in shares and options	3,000,000 ordinary shares in Otto Energy Limited and performance rights of 4,700,000.

Mr Craig Hasson BCom, CA, AGIA. Chief Financial Officer

Date appointed	26 February 2014
Experience and expertise	Mr Craig Hasson joined Otto as Group Financial Controller in November 2012 and was appointed Chief Financial Officer in February 2014. Mr Hasson is a Chartered Accountant with over 13 years of resource related financial experience in Australia, Europe, Africa and Asia.
Interest in shares and options	112,500 ordinary shares in Otto Energy Limited and performance rights of 2,900,000.

Mr Matthew Worner LLB. B.Bus. Commercial Manager

Date appointed	9 March 2015
Experience and expertise	Mr Matthew Worner joined Otto as Commercial Manager in March 2015. Mr Worner is a former corporate lawyer with specialist experience in IPO's and capital raisings and having advised listed companies on these matters in both Australia and overseas. Over the last 10 years Mr Worner's focus has been on the oil and gas sector, having worked in various in-house legal, company secretarial, commercial and business development roles throughout Australia, Europe, Africa and Asia.
Interest in shares and options	1,400,000 performance rights.

DIRECTORS' REPORT (continued)

For The Year Ending 30 June 2015

Mr Neil Hackett BEc F Fin, GAICD. Company Secretary	
Date appointed	1 April 2015
Experience and expertise	Mr Hackett has over 20 years director, company secretarial, compliance and corporate governance experience including 7 years ASX200 listed company secretary experience with diversified industrial and financial services entities. Mr Hackett holds a Bachelor of Economics and is a Fellow of Finsia, GAICD (Merit) and Affiliate of Corporate Governance Institute.
Interest in shares and options	None

Meetings of Directors

The number of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2015, and the numbers of meetings attended by each Director were:

Director	Full meetings of Directors		Meetings of Audit Committee		Remuneration and Nomination Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Mr R Crabb	14	14	2	2	1	1
Mr M Allen	-	-	-	-	-	-
Mr R Bomasang	14	12	-	-	-	-
Mr J Jetter	14	14	-	-	1	1
Mr I Macliver	14	14	2	2	1	1
Mr I Boserio	14	14	-	-	-	-

Remuneration Report (Audited)

The Directors of the Company have prepared this remuneration report to outline the overall remuneration strategy, policies and practices, which were adopted by the consolidated entity in 2015 and which utilises the share rights and option plans approved by the shareholders in 2013. The report has been prepared in accordance with Section 300A of the Corporations Act 2001 and its regulations.

Otto Energy's remuneration policy is designed to ensure that the level and form of compensation achieves certain objectives, including:

- attraction and retention of employees and management to pursue the consolidated entity's strategy and goals;
- delivery of value-adding outcomes for the consolidated entity;
- fair and reasonable reward for past individual and consolidated entity performance; and
- incentive to deliver future individual and consolidated entity performance.

Remuneration consists of base salary, superannuation, short term incentives (STI) and long term incentives (LTI). Remuneration is determined by reference to market conditions and performance. Performance is evaluated at an individual level as well as the performance of the consolidated entity as a whole.

The remuneration policies and structure in 2015 were generally the same as for 2014.

DIRECTORS' REPORT (continued)

For The Year Ending 30 June 2015

Directors

Mr Rick Crabb	Non-Executive Chairman
Mr Matthew Allen	Managing Director and Chief Executive Officer
Mr Rufino Bomasang	Non-Executive Director
Mr John Jetter	Non-Executive Director
Mr Ian Macliver	Non-Executive Director
Mr Ian Boserio	Non-Executive Director

Key Management Personnel

Mr Paul Senyica	Vice President Exploration and New Ventures
Mr Craig Hasson	Chief Financial Officer
Mr Matthew Worner	Commercial Manager (appointed 9 March 2015)
Mr Scott Blenkinsop	Chief Legal Counsel (resigned 6 March 2015) and Company Secretary (resigned 1 April 2015)

Remuneration Governance

Role of the Remuneration and Nomination Committee

The Remuneration and Nomination Committee's role is to review and recommend remuneration for Key Management Personnel, review remuneration policies and practices, Company incentive schemes and superannuation arrangements.

The Committee considers independent advice where circumstances require, on the appropriateness of remuneration to ensure the consolidated entity attracts, motivates and retains high quality people.

The ASX Listing Rules require that the maximum aggregate amount of remuneration to be allocated among the Non-Executive Directors be approved by shareholders in a general meeting. In proposing the maximum amount for consideration by shareholders and in determining the allocation, the Remuneration and Nomination Committee takes account of the time demands made on Directors and such factors as fees paid to Non-Executive Directors in comparable Australian companies.

The Remuneration and Nomination Committee comprises of three Non-Executive Directors.

Remuneration arrangements for Directors and Executives are reviewed by the Remuneration and Nomination Committee and recommended to the Board for approval. The Remuneration and Nomination Committee considers external data and information, where appropriate, and may engage independent advisors where appropriate to establish market benchmarks.

Remuneration arrangements are determined in conjunction with the annual review of the performance of Directors, Executives and employees of the consolidated entity. Performance of the Directors and the CEO of the consolidated entity is evaluated by the Board, assisted by the Remuneration and Nomination Committee. The CEO reviews the performance of Executives with the Remuneration and Nomination Committee. These evaluations take into account criteria such as the achievement toward the consolidated entity's performance benchmarks and the achievement of individual performance objectives.

Non-Executive Director Remuneration Policy

Non-Executive Directors of the consolidated entity are remunerated by way of fees, statutory superannuation, and LTI's where applicable. Fees are set to reflect current market levels based on the time, responsibilities and commitments associated with the proper discharge of their duties as members of the Board.

The current base fees were last reviewed in June 2015. Non-Executive Directors' fees are determined within an aggregate Non-Executive Directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at A\$500,000 per annum and was approved by shareholders at the Annual General Meeting in January 2008.

DIRECTORS' REPORT (continued)

For The Year Ending 30 June 2015

The following fees have applied:

	From 1 July 2014 to 30 June 2015	From 1 July 2013 to 30 June 2014
Base fees		
Chair	A\$ 125,000	A\$ 125,000
Other Non-Executive Directors	A\$ 75,000-90,000	A\$ 75,000-90,000
Other Non-Executive Directors (Philippines based)	US\$ 72,000	US\$ 72,000
Additional fees		
Audit Committee	A\$ 10,000	A\$ 10,000
Director of Otto Energy Investments Limited	US \$24,000	US \$24,000
Director of Otto Energy Philippines Inc.	US \$24,000	US \$24,000

Retirement allowances for Non-Executive Directors

In line with ASX Corporate Governance Council Non-Executive Directors' remuneration does not include retirement allowances. Superannuation contributions required under the Australian superannuation guarantee legislation continue to be made and are deducted from the Directors' overall fee entitlements.

Appointment

The term of appointment is determined in accordance with the Company's Constitution and is subject to the provisions of the Constitution dealing with retirement, re-election and removal of Directors of the Company. The Constitution provides that all Directors of the Company, other than the Managing Director, are subject to re-election by shareholders by rotation every three years during the term of their appointment.

Directors and Executive Remuneration Policy and Framework

The remuneration arrangement for Directors and Executives of the consolidated entity for the year ended 30 June 2015 is summarised below.

The remuneration structure in place for 2014/2015 applies to all employees including Key Management Personnel and staff members of the consolidated entity. The consolidated entity's remuneration structure has three elements:

- Fixed annual remuneration or base salary (FAR) (including superannuation);
- Short term incentive (STI) award which provides a reward for performance in the past year; and
- Long term incentive (LTI) award which provides an incentive to deliver future Company performance.

Executive Remuneration Mix

In accordance with the consolidated entity's objective to ensure that Executive remuneration is aligned to consolidated entity's performance, a significant portion of the Executives' target pay is "at risk".

a) Fixed Annual Remuneration (FAR) or base salary (including superannuation)

To attract and retain talented, qualified and effective employees, the consolidated entity pays competitive base salaries which have been benchmarked to the market in which the consolidated entity operates. The consolidated entity compiles competitive salary information on companies of comparable size in the oil and gas industry from several sources. Where appropriate, information is obtained from surveys conducted by independent consultants and national and international publications. In the past the Board had engaged independent advisors to review the remuneration levels paid to the consolidated entity's Key Management Personnel. An advisor was not retained for the 2015 review.

FAR will be paid in cash and is not at risk other than by termination. Individual FAR is set each year based on job description, competitive salary information sourced by the consolidated entity and overall competence in fulfilling the requirements of the particular role.

There is no guaranteed base pay increases included in any Executives' contracts.

Retirement benefits are delivered under the employees' superannuation fund.

DIRECTORS' REPORT (continued)

For The Year Ending 30 June 2015

b) Short-term incentives

Executives have the opportunity to earn an annual short-term incentive (STI) if predefined targets are achieved. The CEO has a target STI opportunity of 20% of FAR and other members of the Executive team have an STI opportunity of approximately 20% of FAR. The targets are reviewed annually.

STI awards for the Executive team in the 2015 financial year were based on the scorecard measures and weightings as disclosed below. These targets were set by the Board and the Remuneration and Nomination Committee and are aligned to the Company's strategic and business objectives.

Performance category	Weighting
Health, safety & environment	10%
Total shareholder return	25%
Asset specific	30%
New business development	25%
Leadership	10%

The Board and Remuneration and Nomination Committee are responsible for assessing whether the KPIs are met. To assist in this assessment, the Committee receives detailed reports on performance from management. The Committee has the discretion to adjust short-term incentives downwards in light of unexpected or unintended circumstances.

c) Long-term incentives

The consolidated entity believes that encouraging its employees to become shareholders is the best way of aligning their interests with those of its shareholders. Long-term incentives are provided to certain employees via the Otto Energy Limited Employee Performance Rights and Option Plan which was approved by shareholders at the 2013 Annual General Meeting.

The Otto Energy Limited Employee Performance Rights and Option Plan is designed to provide long-term incentives for employees to deliver long-term shareholder returns. Under the plan, participants are granted performance rights or options which only vest if certain performance conditions are met and the employees are still employed by the consolidated entity at the end of the vesting period. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Vesting of the performance rights are either time based or subject to Otto Energy Limited's total shareholder return (TSR), including share price growth, dividends and capital returns, over a three-year period.

Once vested, the performance rights are automatically converted into shares. Performance rights are granted under the plan for no consideration.

Four maximum LTI organisational benchmarks have been established as a percentage of individual FARs. These four levels reflect the increased involvements of each level in pursuing and achieving the Company's goals. These benchmarks are set out in the following table.

Organisational Level	CEO	Management	Professional, Technical & Support	Support Staff
LTI Organisational Benchmarks	50%	40%	30%	10%

The total number of performance rights granted is subject to being reduced proportionately so that the total number for performance rights is within:

- The Board's determined cap on the total number of performance rights which are issued as LTI awards in a given year; and
- Any discretionary cap on the total number of rights on issue at any given time.

The Board has established an initial guideline that the total number of performance rights to be issued in a single year will be capped at 1.7% of the fully paid issued capital of the Company as at the end of the prior year. In the event that the potential total number of performance rights exceeds the cap then all awardees receive a pro-rated reduced number of performance rights. This cap is at the discretion of the Board and may be altered depending on the prevailing context.

Share Trading Policy

The trading of shares issued to participants under any of the Company's employee equity plans is subject to, and conditional upon, compliance with the Company's employee share trading policy. Executives are prohibited from entering into any hedging arrangements over unvested rights or options under the Company's employee option plan. The Company would consider a breach of this policy as gross misconduct which may lead to disciplinary action and potentially dismissal.

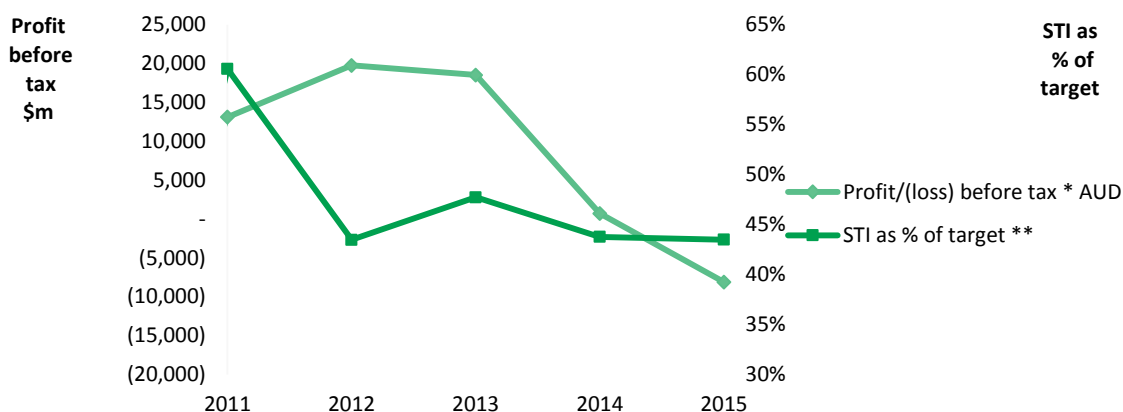
Voting and comments made at the consolidated entity's 2014 Annual General Meeting

Otto Energy Limited received more than 81% of "yes" votes on its remuneration report for the 2014 financial year. The Company did not receive any specific feedback at the Annual General Meeting or throughout the year on its remuneration practices.

Performance of Otto Energy Limited

The graph below illustrate two of the key links between Key Management Personnel remuneration and Otto Energy Limited's performance.

The graph illustrates the link between Otto Energy Limited's profit before tax and payments made under the STI plan.



* Profit/(loss) before tax is profit from continuing operations before income tax expense.

** STI % of target reflects the percentage of the target STI pool that was paid out to Executives.

DIRECTORS' REPORT (continued)

For The Year Ending 30 June 2015

Details of Remuneration

The following tables show details of the remuneration received by the Directors and the Key Management Personnel of the consolidated entity for the current and previous financial year.

Remuneration and other terms of employment for the Managing Director & Chief Executive Officer and Key Management Personnel are formalised in service agreements. Each of these agreements provides for performance related conditions and agreements relating to remuneration are set out below.

2015	Short-term Employee Benefits		Post Employment		Share-Based Payments		Total
	Salary & Fees A\$	Cash Bonus A\$	Superannuation A\$	Termination Benefits A\$	Options A\$	Performance Rights ⁽ⁱ⁾ A\$	A\$
Directors of Otto Energy Limited							
Mr R Crabb	114,155	-	10,845	-	-	-	125,000
Mr M Allen	445,000	100,000	30,000	-	-	79,157	654,157
Mr I Macliver	77,626	-	7,374	-	-	-	85,000
Mr I Boserio	68,493	-	6,507	-	-	-	75,000
Mr J Jetter	90,000	-	-	-	-	-	90,000
Mr R Bomasang	138,517	-	-	-	-	-	138,517
	933,791	100,000	54,726	-	-	79,157	1,167,674
Key Management Personnel							
Mr P Senyica	441,249	-	35,000	-	-	79,157	555,406
Mr C Hasson	271,597	53,000	30,000	-	-	37,216	391,813
Mr M Worner ⁽ⁱⁱ⁾	100,513	-	9,549	-	-	-	110,062
Mr S Blenkinsop ⁽ⁱⁱⁱ⁾	242,756	80,662	38,781	102,395	-	-	464,594
	1,056,115	133,662	113,330	102,395	-	116,373	1,521,875
	1,989,906	233,662	168,056	102,395	-	195,530	2,689,549

(i) Performance rights have been valued using a hybrid Monte Carlo and Hull-White model. Further details of the share rights plan is contained in the Remuneration Report pages 36 to 38 and Note 23.

(ii) Mr M Worner was appointed as Commercial Manager on 9 March 2015.

(iii) Mr S Blenkinsop resigned as Company Secretary on 1 April 2015.

DIRECTORS' REPORT (continued)

For The Year Ending 30 June 2015

2014	Short-term Employee Benefits		Post Employment		Share-Based Payments		Total
	Salary & Fees A\$	Cash Bonus A\$	Superannuation A\$	Termination Benefits A\$	Options ⁽ⁱ⁾ A\$	Performance Rights ⁽ⁱⁱ⁾ A\$	A\$
Directors of Otto Energy Limited							
Mr R Crabb	114,416	-	10,584	-	-	-	125,000
Mr I Maccliver	77,803	-	7,197	-	-	-	85,000
Mr I Boserio	68,650	-	6,350	-	123,000	-	198,000
Mr J Jetter	90,000	-	-	-	123,000	-	213,000
Mr R Bomasang	131,207	-	-	-	82,000	-	213,207
	482,076	-	24,131	-	328,000	-	834,207
Key Management Personnel							
Mr M Allen	413,585	91,514	25,000	-	-	59,590	589,689
Mr P Senyacia	444,691	82,844	25,000	-	-	59,590	612,125
Mr C Hasson ⁽ⁱⁱⁱ⁾	81,090	-	7,501	-	-	-	88,591
Mr S Blenkinsop ^(iv)	172,757	-	15,980	-	-	-	188,737
Mr G McNab ^(v)	352,425	107,803	25,000	587,822	-	(163,483)	909,567
	1,464,548	282,161	98,481	587,822	-	(44,303)	2,388,709
	1,946,624	282,161	122,612	587,822	328,000	(44,303)	3,222,916

(i) The options have been valued using the Black-Scholes model.

(ii) Performance rights have been valued using a hybrid Monte Carlo and Hull-White model. Further details of the share rights plan is contained in the Remuneration Report pages 36 to 38 and Note 23.

(iii) Mr C Hasson was appointed as CFO on 26 February 2014.

(iv) Mr S Blenkinsop was appointed Chief Legal Counsel on 6 January 2014 and in addition was appointed as Company Secretary on 26 February 2014.

(v) Mr G McNab resigned as CEO on 24 February 2014.

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed remuneration		At risk – STI %		At risk – LTI ⁽ⁱ⁾ %		
	2015	2014	2015	2014	2015	2014	
Directors of Otto Energy Limited							
Mr R Crabb	100%	100%	-	-	-	-	
Mr M Allen	73%	74%	15%	16%	12%	10%	
Mr I Maccliver	100%	100%	-	-	-	-	
Mr I Boserio	100%	38%	-	-	-	62%	
Mr J Jetter	100%	42%	-	-	-	58%	
Mr R Bomasang	100%	62%	-	-	-	38%	
Key Management Personnel of the consolidated entity							
Mr P Senyacia	86%	77%	-	14%	14%	9%	
Mr C Hasson	77%	100%	14%	-	9%	-	
Mr M Worner	100%	-	-	-	-	-	
Mr S Blenkinsop ^{(ii) (iii)}	61%	100%	17%	-	-	-	

(i) Since long-term incentives are provided exclusively by way of performance rights or options, the percentages disclosed also reflect the value of remuneration consisting of performance rights and options, based on the value of performance rights or options expensed during the year.

(ii) Mr S Blenkinsop resigned as Company Secretary on 1 April 2015.

(iii) Total remuneration includes termination expenses for the relevant period.

Service Agreements

On appointment to the Board, all Non-Executive Directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including remuneration, relevant to the office of Director.

DIRECTORS' REPORT (continued)

For The Year Ending 30 June 2015

Remuneration and other terms of employment for the Managing Director and Chief Executive Officer, Chief Financial Officer and the Key Management Personnel are also formalised in service agreements. Each of these agreements provide for the provision of performance related cash bonuses, and participation, when eligible, in the Otto Energy Limited Employee Performance Rights or Option Plan. Other major provisions of the agreements relating to remuneration are set out below.

All contracts with Executives may be terminated early by either party with notice, per individual agreement, subject to termination payments as detailed below.

Name	Commencement of Contract	Base salary including superannuation ⁽ⁱ⁾ \$A	Termination benefit ⁽ⁱⁱ⁾
Mr Matthew Allen <i>Managing Director and Chief Executive Officer</i>	24 June 2015	\$475,000	6 months base salary
Mr Paul Senyca <i>Vice President Exploration Manager and New Ventures</i>	12 April 2010	\$476,250	3 months base salary
Mr Craig Hasson <i>Chief Financial Officer</i>	26 February 2014	\$290,175	3 months base salary
Mr Matthew Worner <i>Commercial Manager</i>	9 March 2015	\$350,400	1 months base salary

(i) Base salaries quoted are for the year ended 30 June 2015; they are reviewed annually by the Board and the Remuneration and Nomination Committee.

(ii) Termination benefits are payable on early termination by the Company, other than for gross misconduct.

Share-Based Compensation

Otto Energy Limited has two forms of share based compensation for Key Management Personnel. They are performance rights and options.

Performance Rights over Equity Instruments Granted

Performance rights granted to the Key Management Personnel were granted as remuneration unless otherwise noted. The rights granted have no exercise price and are exercisable from the date of vesting and details of vesting periods are set out at Note 23. All rights expire on the earlier of their expiry date or termination of individual's employment. Performance rights granted carry no dividend or voting rights.

The value of rights included in remuneration for the year is calculated in accordance with Australian Accounting Standards. The assessed fair value at grant date of the performance rights is allocated equally over the period from grant date to vesting date and the amount is included in the remuneration tables. Where rights vest fully in the year, the full value of the rights is recognised in remuneration for that year.

The value of performance rights at the grant date is calculated as the fair value of the rights at grant date, using a hybrid Monte Carlo and Hull-White model, multiplied by the number of rights granted.

No adjustment is made to the value included in remuneration or the financial results where the right ultimately has a lesser or greater value than as at the date of grant. The inputs into the fair value calculation of the rights granted and outstanding as of 30 June 2015 are set out in the following table.

DIRECTORS' REPORT (continued)

For The Year Ending 30 June 2015

Year ended 30 June 2015 – TSR based performance rights:

Measurement date	1 February 2017	1 February 2018	1 February 2019	1 February 2016	1 February 2017	1 February 2018
Grant date	23 April 2015	23 April 2015	23 April 2015	3 October 2014	3 October 2014	3 October 2014
Expiry date	31 December 2019	31 December 2019	31 December 2019	31 December 2018	31 December 2018	31 December 2018
Number of rights	2,000,001	2,000,001	1,999,998	2,600,000	2,600,000	2,600,000
Share price at grant date – A\$	0.11	0.11	0.11	0.09	0.09	0.09
Expected volatility	47.7%	51.2%	51.2%	51.3%	52.4%	53.2%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil	Nil
Risk free rate	1.95%	1.90%	1.90%	2.60%	2.60%	2.60%
Fair value - \$A	0.06	0.07	0.07	0.05	0.05	0.06

Year ended 30 June 2014 – TSR based performance rights

Grant date	3 October 2011	1 February 2013
Expiry date	31 December 2014	1 April 2016
Share price at grant date – A\$	0.08	0.10
Expected volatility	50.0%	52.6%
Expected dividend yield	Nil	Nil
Risk free rate	3.66%	2.75%
Fair value - \$A	0.02	0.01

The expected price volatility is based upon the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

No cash benefit is received by Key Management Personnel of the consolidated entity, until the sale of the resultant shares, which cannot be done unless and until the rights have vested and the shares issued.

The number of performance rights over ordinary shares held, granted to, vested and/or lapsed/expired by Directors of Otto Energy Limited and Key Management Personnel as part of compensation during the year ended 30 June 2015 is set out below.

2015	Balance at Start of Year	Granted as Compensation	Vested and Exercisable	Lapsed/Expired	Balance at End of Year
Directors of Otto Energy Limited					
Mr R Crabb	-	-	-	-	-
Mr M Allen	5,500,000	4,700,000	(5,500,000)	-	4,700,000
Mr I Macliver	-	-	-	-	-
Mr I Boserio	-	-	-	-	-
Mr J Jetter	-	-	-	-	-
Mr R Bomasang	-	-	-	-	-
	5,500,000	4,700,000	(5,500,000)	-	4,700,000
Key Management Personnel of the consolidated entity					
Mr P Senyca	5,500,000	4,700,000	(5,500,000)	-	4,700,000
Mr C Hasson	-	2,900,000	-	-	2,900,000
Mr M Worner ⁽ⁱ⁾	-	-	-	-	-
Mr S Blenkinsop ⁽ⁱⁱ⁾	-	1,500,000	-	(1,500,000)	-
	5,500,000	9,100,000	(5,500,000)	(1,500,000)	7,600,000

⁽ⁱ⁾ Mr M Worner was appointed as Commercial Manager on 9 March 2015.

⁽ⁱⁱ⁾ Mr S Blenkinsop resigned as Company Secretary on 1 April 2015.

DIRECTORS' REPORT (continued)

For The Year Ending 30 June 2015

The value of performance rights over ordinary shares vested and/or lapsed/expired by Directors of Otto Energy Limited and Key Management Personnel as part of compensation during the year ended 30 June 2015 is set out in the following table.

2015	Number of performance rights vested	Value of performance rights vested during the year (A\$)	Number of rights lapsed/cancelled during the year	Number of ordinary shares issued as a result of vesting
Mr M Allen	5,500,000	140,950	-	5,500,000
Mr P Senyca	5,500,000	140,950	-	5,500,000
Mr S Blenkinsop	-	-	(1,500,000)	-
	11,000,000	281,900	(1,500,000)	11,000,000

Options over Equity Instruments Granted

Options granted to the Directors and Key Management Personnel were granted as remuneration unless otherwise noted. Options are issued under the Option Plan. The following table summarises the number and value of options, related to Directors and Key Management Personnel that have been granted, vested or lapsed during the financial year.

No cash benefit is received by the Directors or Key Management Personnel of the Company until the sale of the options or the sale of the resultant share which cannot be done unless and until the options have been exercised and the shares issued. Options granted carry no dividend or voting rights.

2015	Balance at Start of Year	Granted as Compensation	Value of options granted A\$	Other changes ⁽ⁱⁱⁱ⁾	Balance at End of Year	Vested and Exercisable
Directors of Otto Energy Limited						
Mr R Crabb	-	-	-	-	-	-
Mr M Allen	-	-	-	-	-	-
Mr I Macliver	-	-	-	-	-	-
Mr I Boserio	3,000,000	-	-	(3,000,000)	-	-
Mr J Jetter	3,000,000	-	-	(3,000,000)	-	-
Mr R Bomasang	2,000,000	-	-	(2,000,000)	-	-
	8,000,000	-	-	(8,000,000)	-	-
Key Management Personnel of the consolidated entity						
Mr P Senyca	-	-	-	-	-	-
Mr C Hasson	-	-	-	-	-	-
Mr M Worner ⁽ⁱ⁾	-	-	-	-	-	-
Mr S Blenkinsop ⁽ⁱⁱ⁾	-	-	-	-	-	-
	-	-	-	-	-	-

⁽ⁱ⁾ Mr M Worner was appointed as Commercial Manager on 9 March 2015.

⁽ⁱⁱ⁾ Mr S Blenkinsop resigned as Company Secretary on 1 April 2015.

⁽ⁱⁱⁱ⁾ Options were sold to 3rd parties during the year ended 30 June 2015.

DIRECTORS' REPORT (continued)

For The Year Ending 30 June 2015

Additional Disclosure relating to Key Management Personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

2015	Balance at Start of Year	Granted During the year	Received through conversion of performance rights during the Year	Other Changes During Year	Balance at End of Year
Directors of Otto Energy Limited					
Mr R Crabb	17,495,052	-	-	300,000	17,795,052
Mr M Allen	4,000,000	-	5,500,000	(6,000,000)	3,500,000
Mr J Jetter	19,089,175	-	-	(3,000,000)	16,089,175
Mr I MacIver	4,549,721	-	-	-	4,549,721
Mr I Boserio	330,000	-	-	(330,000)	-
Mr R Bomasang	-	-	-	-	-
	45,463,948	-	5,500,000	(9,030,000)	41,933,948
Key Management Personnel of the consolidated entity					
Mr P Senyca	3,100,000	-	5,500,000	(5,600,000)	3,000,000
Mr C Hasson	37,500	-	-	75,000	112,500
Mr M Worner ⁽ⁱ⁾	-	-	-	-	-
Mr S Blenkinsop ⁽ⁱⁱ⁾	650,000	-	-	(650,000)	-
	3,787,500	-	5,500,000	(6,175,000)	3,112,500

⁽ⁱ⁾ Mr M Worner was appointed as Commercial Manager on 9 March 2015.

⁽ⁱⁱ⁾ Mr S Blenkinsop resigned as Company Secretary on 1 April 2015.

Outstanding Balances arising from Sales/Purchases of Goods and Services

There are no balances outstanding at the end of the reporting period in relation to transactions with key management personnel and their related parties (2014: nil).

End of Audited Remuneration Report

Diversity

Proportion of women employees in Otto Energy Limited

	Number	Proportion
Whole organisation	6/14	43%
Senior Executive positions	0/4	0%
Board	0/6	0%

DIRECTORS' REPORT (continued)

For The Year Ending 30 June 2015

Shares under Option

Unissued ordinary shares of Otto Energy Limited under option and performance rights at the date of this report are as follows:

Date of Granted	Date of Expiry	Exercise price of performance rights or options A\$	Number
Options			
2-Dec-13	2-Dec-16	0.0549	8,000,000
			8,000,000
Performance Rights			
3-Oct-14	31-Dec-18	-	2,433,340
3-Oct-14	31-Dec-18	-	2,433,330
3-Oct-14	31-Dec-18	-	2,433,330
23-Apr-15	31-Dec-19	-	2,158,336
23-Apr-15	31-Dec-19	-	2,158,334
23-Apr-15	31-Dec-19	-	2,158,330
			13,775,000

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

Included in these performance rights or options were performance rights or options granted as remuneration to the Directors and Key Management Personnel during the year. Details of performance rights and options granted to Key Management Personnel are disclosed on pages 36 to 38.

Insurance of Officers and Indemnity of Auditors

During the financial year, the Company paid a premium of US\$58,603 to insure the Directors and officers of the Company and its Australian-based controlled entities, and the managers of each of the divisions of the consolidated entity.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the consolidated entity, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for them or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Proceedings on Behalf of Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

DIRECTORS' REPORT (continued)

For The Year Ending 30 June 2015

Non-Audit Services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the consolidated entity are important. Details of the amounts paid or payable to the auditor (BDO Australia) for non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2015	2014
	US\$	US\$
BDO Australian firm:		
Other assurance services	-	7,432
Total remuneration for other assurance services	-	7,432
Tax compliance services	29,431	52,802
Tax advice services	105,332	67,412
Total remuneration for taxation services	134,763	120,214
Total remuneration for non-audit services	134,763	127,646

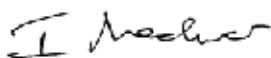
Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 42.

Auditor

BDO continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of Directors.



Mr I Macliver

DIRECTOR

24 September 2015

AUDITOR'S INDEPENDENCE DECLARATION

For The Year Ending 30 June 2015



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DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF OTTO ENERGY LIMITED

As lead auditor of Otto Energy Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Otto Energy Limited and the entities it controlled during the period.

A handwritten signature in blue ink that reads 'J Prue'.

Jarrad Prue
Director

BDO Audit (WA) Pty Ltd
Perth, 24 September 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Year Ending 30 June 2015

	Note	2015	2014
		US\$'000	(Restated) US\$'000
Revenue and other income	4	1,357	8,197
(Loss)/profit on disposal of property, plant and equipment	13	(112)	1
Other expenses from ordinary activities			
Employee benefit expense	5	(4,008)	(8,452)
Depreciation & amortisation	5	(235)	(498)
Finance expenses	5	-	(1,487)
Impairment of exploration and evaluation assets	14	(685)	(23,792)
Other expenses	5	(2,209)	(4,078)
Foreign currency losses		(901)	(87)
Loss before income tax		(6,793)	(30,196)
Income tax benefit	6	-	1
Net loss after income tax for the year from continuing operations		(6,793)	(30,195)
Profit after tax for the year from discontinued operations	7	32,793	30,102
Net profit/(loss) for the year		26,000	(93)
Other comprehensive income		-	-
Other comprehensive income for the year net of tax		-	-
Total comprehensive profit/(loss) for the year attributable to ordinary equity holders of Otto Energy Limited		26,000	(93)

	Note	2015	2014
		US cents	(Restated) US cents
Loss per share for loss from continuing operations attributable to the ordinary equity holders of the Company:			
Basic loss per share	19	(0.59)	(2.63)
Diluted loss per share	19	(0.59)	(2.63)

Earnings/(loss) per share for profit/(loss) attributable to the ordinary equity holders of the Company:			
Basic earnings/(loss) per share	19	2.24	(0.01)
Diluted earnings/(loss) per share	19	2.23	(0.01)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For The Year Ending 30 June 2015

	Note	2015 US\$'000	2014 US\$'000
Current Assets			
Cash and cash equivalents	9	41,206	7,735
Trade and other receivables	10	-	18
Other current assets	11	701	1,758
Inventories	12	2,422	2,941
Total Current Assets		44,329	12,452
Non-Current Assets			
Other assets	11	6	7,955
Property, plant and equipment	13	151	496
Exploration and evaluation assets	14	18,645	9,049
Oil and gas properties	14	-	91,460
Total Non-Current Assets		18,802	108,960
Total Assets		63,131	121,412
Current Liabilities			
Trade and other payables	15	2,800	4,755
Provisions	16	98	196
Provision for income tax payable		-	2,442
Total Current Liabilities		2,898	7,393
Non-Current Liabilities			
Deferred tax liabilities	6	-	13,935
Provisions	16	68	8,910
Total Non-Current Liabilities		68	22,845
Total Liabilities		2,966	30,238
NET ASSETS		60,165	91,174
Equity			
Contributed equity	17	81,104	131,577
Reserves	18	13,410	13,145
Accumulated losses		(34,349)	(53,548)
Total Equity		60,165	91,174

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ending 30 June 2015

	Attributable to owners of Otto Energy Limited			
	Contributed Equity US\$'000	Accumulated Losses US\$'000	Other Reserves US\$'000	Total Equity US\$'000
Balance as at 1 July 2013	131,577	(53,455)	12,873	90,995
Total comprehensive loss for the year				
Loss for the year	-	(93)	-	(93)
Total comprehensive loss for the year	-	(93)	-	(93)
Transactions with owners in their capacity as owners				
Issued options during the year	-	-	272	272
Balance as at 30 June 2014	131,577	(53,548)	13,145	91,174
Total comprehensive loss for the year				
Profit for the year	-	26,000	-	26,000
Total comprehensive income for the year	-	26,000	-	26,000
Transactions with owners in their capacity as owners				
Issued performance rights during the year	-	-	265	265
Share capital return (Note 17)	(50,473)	-	-	(50,473)
Cash dividends (Note 8)	-	(6,801)	-	(6,801)
Balance as at 30 June 2015	81,104	(34,349)	13,410	60,165

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ending 30 June 2015

	Note	2015	2014
		US\$'000	US\$'000
Cash flows from operating activities			
Receipts from customers		45,217	73,693
Payment to suppliers and employees		(19,352)	(25,093)
Interest received		503	22
Interest and financing costs paid		-	(5,699)
Income taxes paid		(6,354)	(770)
Net cash inflow from operating activities	25	20,014	42,153
Cash flows from investing activities			
Payments for property, plant and equipment		(13)	(102)
Proceeds from sale of property, plant and equipment		10	3
Payments for exploration and evaluation		(9,590)	(10,404)
Payment for oil and gas properties		-	(39,138)
Loan to other entities		165	(165)
Proceeds from other investments		-	425
Net proceeds from sale of controlled entities (net of cash disposed)		80,400	-
Net cash inflow/(outflow) from investing activities		70,972	(49,381)
Cash flows from financing activities			
Proceeds from loan drawdown		-	19,084
Repayment of borrowings		-	(35,923)
Dividends paid	8	(6,832)	-
Return of capital	17	(50,703)	-
Net cash outflow from financing activities		(57,535)	(16,839)
Net increase/(decrease) in cash and cash equivalents		33,451	(24,067)
Cash and cash equivalents at the beginning of the financial year		7,735	31,854
Effects of exchange rate changes on cash		20	(52)
Cash and cash equivalents at end of year	9	41,206	7,735

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ending 30 June 2015

1. Statement of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Otto Energy Limited and its subsidiaries.

a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001, as appropriate for for-profit-oriented entities. Otto Energy Limited is a for-profit entity for the purpose of preparing the financial statements. The Consolidated financial statements were approved for issue by the Board of Directors on 24 September 2015.

i) Compliance with IFRS

The consolidated financial statements of the Otto Energy Limited Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

ii) New, revised or amended Accounting Standards and Interpretations adopted by the consolidated entity

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised and amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities

AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. This change in accounting policy had no material impact on the Group.

Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets

AASB 2013-3 amends the disclosure requirements in AASB 136 Impairment of Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.

The application of AASB 136 did not impact the Group's accounting for its impairment of non-financial assets.

Interpretation 21 Levies

This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation.

For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The adoption of Interpretation 21 had no material impact on the Group.

iii) Standards issued but not yet effective

The Accounting Standards and Interpretations that are issued but not yet effective up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards and interpretations, if applicable, when they become effective.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ending 30 June 2015

Reference and Title	Summary	Application date of standard	Impact on Otto Energy Ltd financial statements
AASB 9 - Financial Instruments	<p>AASB 9 (December 2014) is a new Principal standard which replaces AASB 139. This new Principal version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.</p> <p>AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. The own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.</p> <p>Amendments to AASB 9 (December 2009 & 2010 editions) (AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.</p> <p>AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139.</p> <p>The main changes are described below.</p> <ol style="list-style-type: none"> Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: <ul style="list-style-type: none"> The change attributable to changes in credit risk are presented in other comprehensive income (OCI) The remaining change is presented in profit or loss <p>AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.</p> <p>AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014.</p> <p>AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after 1 January 2015.</p>	Annual reporting periods commencing on or after 1 January 2018	When this standard is first adopted from 1 July 2018, there will be no impact on transactions and balances recognised in the financial statements.
AASB 15 – Revenue from Contracts with Customers	<p>An entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under IAS 18 <i>Revenue</i>.</p>	Annual reporting periods beginning on or after 1 January 2017	Due to the recent release of this standard, the entity has not yet made a detailed assessment of the impact of this standard

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ending 30 June 2015

<p><i>AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle</i></p>	<p>The subjects of the principal amendments to the Standards are set out below:</p> <p>AASB 119 Employee Benefits</p> <p>Discount rate: regional market issue – clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level.</p>	<p>Annual reporting periods commencing on or after 1 January 2016</p>	<p>There will be no impact on the financial statements when these amendments are first adopted because they apply prospectively to share-based payment transactions for which the grant date is on or after 1 January 2016.</p>
<p><i>AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101</i></p>	<p>The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgement in determining where and in what order information is present in the financial disclosures.</p>	<p>Annual reporting periods commencing on or after 1 January 2016</p>	<p>There will be no impact on the financial statements when these amendments are first adopted because this is a disclosure standard only.</p>

iv) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

b) Principles of consolidation

i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Otto Energy Limited ('Company' or 'parent entity') as at 30 June 2015 and the results of all subsidiaries for the year then ended. Otto Energy Limited and its subsidiaries together are referred to in this financial report as the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the consolidated entity controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between consolidated entity companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition method of accounting is used to account for business combinations by the consolidated entity (refer to Note 1(h)). A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ending 30 June 2015

ii) Joint arrangements

Jointly controlled assets

The consolidated entity's share of the assets, liabilities, revenues and expenses of joint arrangement operations have been incorporated into the financial statements in the appropriate items of the consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position. Details of joint arrangements are set out in Note 21.

iii) Changes in ownership interests

The consolidated entity treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the consolidated entity. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Otto Energy Limited.

When the consolidated entity ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the consolidated entity had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board. Management has determined that based on the report reviewed by the Board and used to make strategic decisions, that the consolidated entity has four reportable segments.

d) Foreign currency translation

i) Functional and presentation currency

Items included in the financial statements of each of the consolidated entity's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in United States dollars, which is Otto Energy Limited's functional and presentation currency.

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

iii) Consolidated entity companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position account presented are translated at the closing rate at the date of that statement of financial position
- income and expenses for each statement of profit or loss and other comprehensive income account are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ending 30 June 2015

- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable to the extent that it is probable that economic benefits will flow to the consolidated entity and the revenue can be reliably measured.

i) Sale of oil

Revenue from the sale of oil is recognised when the consolidated entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

ii) Interest revenue

Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

iii) Dividends

Dividends are recognised as revenue when the right to receive payment is established.

f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

g) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the consolidated entity as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ending 30 June 2015

h) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value. Any directly attributable costs of acquisition are expensed.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the consolidated entity's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the consolidated entity's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the statement of profit or loss, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

i) Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

j) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ending 30 June 2015

l) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on weighted average. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

m) Discontinued operations

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the profit or loss.

n) Other financial assets

Other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. The fair values of quoted investments are based on current bid prices. For unlisted investments, the consolidated entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Impairment of financial assets

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

o) Property, plant and equipment

Property, plant and equipment other than Oil and Gas Properties are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight-line method to allocate their cost over their estimated useful lives to estimate residual value. The following estimated useful lives are used in the calculation of depreciation:

Plant and equipment	5 years
Furniture and equipment	3 - 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is consolidated entity policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ending 30 June 2015

p) Oil and gas properties

i) Exploration and evaluation expenditure

Expenditure on exploration and evaluation is accounted for in accordance with the area of interest method. This approach is strongly linked to the Company's oil and gas reserves determination and reporting process and is considered to most fairly reflect the results of the Company's exploration and evaluation activity because only assets with demonstrable value are carried on the statement of financial position.

Upon the production of commercial quantities of oil and gas, capitalised exploration and evaluation costs are transferred to Oil and Gas Properties – Producing Projects and amortisation commences. This method allows the costs associated with the acquisition, exploration and evaluation of a prospect to be aggregated on the Consolidated Statement of Financial Position and matched against the benefits derived from commercial production once this commences.

ii) Costs

Exploration lease acquisition costs relating to oil and gas exploration provinces are expensed as incurred while the costs incurred in relation to established or recognised oil and gas provinces are initially capitalised and then amortised over the shorter term of the lease or the expected life of the project. All other exploration and evaluation costs, including general permit activity, geological and geophysical costs and new venture activity costs are charged as expenses as incurred except where:

- the expenditure relates to an exploration discovery that, at the reporting date, had not been recognised as an area of interest as the assessment of the existence or otherwise of economically recoverable reserves has not yet been completed; or
- where there exists an economically recoverable reserve, and it is expected that the capitalised expenditure will be recouped through exploitation of the area of interest, or alternatively, by its sale.

Areas of interest are recognised at field level. Subsequent to the recognition of an area of interest, all further costs relating to the area of interest are initially capitalised. Each area of interest is reviewed at least bi-annually to determine whether economic quantities of reserves exist or whether further exploration and evaluation work is required to support the continued carry forward of capitalised costs. To the extent it is considered that the relevant expenditure will not be recovered, it is written off.

The costs of drilling exploration and evaluation wells are initially capitalised pending the results of the well. Costs are expensed where the well does not result in the discovery of economically recoverable hydrocarbons. To the extent that it is considered that the relevant expenditure will not be recovered, it is immediately expensed.

In the statement of cash flows, those cash flows associated with the capitalised exploration and evaluation expenditure are classified as cash flows used in investing activities. Exploration and evaluation expenditure expensed is classified as cash flows used in operating activities.

iii) Prepaid drilling and completion costs

Where the Company has a non-operator interest in an oil or gas property, it may periodically be required to make a cash contribution for its share of the Operator's estimated drilling and/or completion costs, in advance of these operations taking place.

Where these contributions relate to a prepayment for exploratory or early stage drilling activity, prior to a decision on the commerciality of a well having been made, the costs are capitalised as prepaid drilling costs within Exploration and Evaluation and/or Development Projects.

Where these contributions relate to a prepayment for well completion, these costs are capitalised as prepaid completion costs within Exploration and Evaluation.

As the Operator notifies the Company as to how funds have been expended, the costs are reclassified from prepaid costs to the appropriate expenditure category.

Where the Company has Operator interest in an oil or gas property, it will periodically call for the contribution of the non-operator's share of the estimated drilling and/or completion costs, in advance of these operations taking place.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ending 30 June 2015

iv) Transfer of capitalised exploration and evaluation expenditure to producing projects (oil and gas properties)

When a well demonstrates commercial feasibility or comes into commercial production, accumulated exploration and evaluation expenditure for the relevant area of interest is transferred to producing projects and amortised on a units of production basis.

v) Development assets

When the technical and commercial feasibility of an undeveloped oil or gas field has been demonstrated the field enters its development phase. The costs of oil and gas assets are transferred from exploration and evaluation expenditure and reclassified into oil and gas properties and include past exploration and evaluation costs.

vi) Producing assets

Producing projects are stated at cost less accumulated amortisation and impairment charges. Producing projects include construction, installation or completion of production and infrastructure facilities such as pipelines, transferred exploration and evaluation assets, development wells and the provision for restoration.

vii) Amortisation and depreciation of producing projects

The consolidated entity uses the "units of production" ("UOP") approach when amortising and depreciating field-specific assets. Using this method of amortisation and depreciation requires the consolidated entity to compare the actual volume of production to the reserves and then to apply this determined rate of depletion to the carrying value of the depreciable asset.

Capitalised producing projects costs relating to commercially producing wells are depreciated/amortised using the UOP basis once commercial quantities are being produced within an area of interest. The reserves used in these calculations are the Proved plus Probable reserves and are reviewed at least annually.

viii) Future restoration costs

The consolidated entity's aim is to avoid or minimise environmental impact resulting from its operations.

Provision is made in the statement of financial position for the estimated cost of legal and constructive obligations to restore operating locations in the period in which the obligation arises. The estimated costs are capitalised as part of the cost of the related project where recognition occurs upon acquisition of an interest in the operating locations. The carrying amount capitalised is amortised on a unit of production basis during the production phase of the project.

Work scope and cost estimates for restoration are reviewed annually and adjusted to reflect the expected cost of restoration.

Restoration costs are based on the latest estimated future costs, determined on a discounted basis, which are re-assessed regularly and exclude any allowance for potential changes in technology or material changes in legislative requirements.

Provisions for future restoration are made where there is a present obligation as a result of development or production activity, and is capitalised as a component of the cost of those activities.

The consolidated entity accounts for changes in cost estimates on a prospective basis.

q) Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ending 30 June 2015

r) Provisions

Provisions are recognised when the consolidated entity has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

s) Employee benefits

i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

iii) Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

t) Share based payments

The consolidated entity has provided benefits to its employees and Key Management Personnel in the form of share-based payments, whereby services were rendered partly or wholly in exchange for shares or rights over shares. The Board has also approved the grant of options or performance rights as incentives to attract employees and to maintain their long term commitment to the Company. These benefits were awarded at the discretion of the Board, or following approval by shareholders (equity-settled transactions).

The costs of these equity-settled transactions are measured by reference to the fair value of the equity instruments at the date on which they are granted. The fair value of performance rights granted is determined using a hybrid Monte Carlo and Hull-White model, further details of which are disclosed in Note 23. The fair value of options granted is determined by using a Black-Scholes option pricing technique.

The costs of these equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and / or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the equity instrument (vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the Consolidated Statement of Profit or Loss and Other Comprehensive Income is the product of (i) the fair value at grant date of the award; (ii) the current best estimate of the number of equity instruments that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met and (iii) the expired portion of the vesting period.

The charge to the Statement of Profit or Loss for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ending 30 June 2015

Until an equity instrument has vested, any amounts recorded are contingent and will be adjusted if more or fewer equity instruments vest than were originally anticipated to do so. Any equity instrument subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the recipient of the award, as measured at the date of modification.

If an equity-settled transaction is cancelled (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new equity instrument is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new equity instrument are treated as if they were a modification of the original award, as described in the preceding paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see Note 19).

u) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Otto Energy Limited as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, and is included in equity attributable to the owners of Otto Energy Limited.

v) Earnings per share

i) Basic earnings per share

Basic earnings per share are calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares (Note 19).

ii) Diluted earnings per share

Diluted earnings per share adjust the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

w) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ending 30 June 2015

x) Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

2. Critical Accounting Estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Critical accounting estimates and assumptions

Share based payments

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either a hybrid Monte Carlo and Hull-White model or the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Income taxes

The consolidated entity is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity estimates its tax liabilities based on the consolidated entity's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

In addition, the consolidated entity has recognised deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation jurisdiction and the same subsidiary against which the unused tax losses can be utilised. However, utilisation of the tax losses also depends on the ability of the entity to satisfy certain tests at the time the losses are recouped.

3. Segment Information

a) Description of segments

Management has determined the operating segments based on reports reviewed by the executive management committee for making strategic decision. The executive leadership team comprises the Chief Executive Officer, Chief Financial Officer and divisional managers. Management monitors the business based on geographic factors and has identified four reportable segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ending 30 June 2015

b) Segment information provided to the Board

The segment information provided to the Board for the reportable segments for the year ended 30 June 2015 is as follows:

2015	Australia	Philippines	Tanzania	Other	Consolidated
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Other revenue	1,184	173	-	-	1,357
(Loss)/profit on disposal of property, plant and equipment	10	(122)	-	-	(112)
Employee benefit expense	(3,845)	(163)	-	-	(4,008)
Depreciation and amortisation	(211)	(24)	-	-	(235)
Impairment of assets	-	(685)	-	-	(685)
Other expenses	(2,068)	(96)	(15)	(30)	(2,209)
Foreign currency losses	(899)	(2)	-	-	(901)
Net (loss)/profit before income tax and discontinued operations	(5,829)	(919)	(15)	(30)	(6,793)
Income tax expense	-	-	-	-	-
Net loss for the year from continuing operations	(5,829)	(919)	(15)	(30)	(6,793)
Profit after tax for the year from discontinued operations	-	32,793	-	-	32,793
Profit/(loss) for the year	(5,829)	31,874	(15)	(30)	26,000
Total Segment Assets	44,081	5,476	13,573	1	63,131
Total Segment Liabilities	283	2,814	(132)	1	2,966

The segment information provided to the Board for the reportable segments for the year ended 30 June 2014 is as follows:

2014	Australia	Philippines	Tanzania	Other	Consolidated
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Other revenue	4,174	4,023	-	-	8,197
Profit on disposal of asset	1	-	-	-	1
Employee benefit expense	(7,196)	(1,256)	-	-	(8,452)
Depreciation and amortisation	(454)	(44)	-	-	(498)
Finance expenses	(1,487)	-	-	-	(1,487)
Loss on derivative through profit or loss	-	-	-	-	-
Impairment of assets	(589)	(23,203)	-	-	(23,792)
Other expenses	(3,661)	(369)	-	(48)	(4,078)
Foreign currency losses	(84)	(3)	-	-	(87)
Net loss before income tax and discontinued operations	(9,296)	(20,852)	-	(48)	(30,196)
Income tax expense	-	1	-	-	1
Net loss for the year from continuing operations	(9,296)	(20,851)	-	(48)	(30,195)
Profit after tax for the year from discontinued operations	-	30,102	-	-	30,102
Profit/(loss) for the year	(9,296)	9,251	-	(48)	(93)
Total Segment Assets	7,331	107,008	7,072	1	121,412
Total Segment Liabilities	777	29,457	-	4	30,238

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ending 30 June 2015

4. Revenue and Other Income

	2015	2014
	US\$'000	US\$'000
Interest revenue	503	15
Other income	854	8,182
Revenue from continuing operations	1,357	8,197

5. Expenses

	2015	2014
	US\$'000	US\$'000
Employee benefits expenses		
Defined contribution superannuation expense	218	398
Share based payment expense	265	272
Other employee benefits expenses	3,525	7,782
Total employee benefits expenses	4,008	8,452
Depreciation & Amortisation		
Property, plant and equipment	235	498
Total depreciation & amortisation	235	498
Finance expenses		
Finance charges paid/payable	-	1,487
Total finance costs	-	1,487
Other expenses		
Business development	486	52
Corporate and other costs	1,723	4,026
Total other expenses	2,209	4,078

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ending 30 June 2015

6. Income Tax Expense

	2015	2014
	US\$'000	US\$'000 (Restated)
1) The components of tax expense comprise:		
– Current tax	-	-
– Deferred tax – origination and reversal of temporary differences	-	1
	-	1
2) Reconciliation of income tax expense to prima facie tax payable:		
– Loss before income tax	(6,793)	(30,196)
– Prima facie income tax at 30%	(2,038)	(9,059)
– Tax effect of amounts not deductible in calculating taxable income	1,012	(2,492)
– Benefit of deferred tax assets not brought to account	1,026	11,552
– Income tax expense	-	1
3) Deferred tax assets		
– Unrealised foreign exchange	27	32
– Share issue costs through equity	-	-
– Other temporary differences	74	125
– Temporary differences - foreign	-	-
	101	157
– Tax losses - revenue	5,387	6,937
– Tax losses - foreign	12,491	22,963
	17,979	30,057
– Offset against deferred tax liabilities recognised	-	(50)
– Deferred tax assets not brought to account	(17,979)	(30,007)
– Deferred tax assets brought to account	-	-
4) Deferred tax liabilities		
– Unrealised foreign exchange	-	-
– Accrued income	-	2
– Temporary differences - foreign	-	13,983
– Temporary differences - development asset	-	-
– Offset by deferred tax assets recognised	-	(50)
– Deferred tax liabilities brought to account	-	13,935

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ending 30 June 2015

7. Discontinued Operations

On 22 September 2014, Otto announced it had executed a sale and purchase agreement (SPA) to divest 100% of the shares in Galoc Production Company W.L.L (GPC), a wholly owned subsidiary of the Otto Group, to Risco Energy Investments Pte Ltd ("Risco") for US\$101.4 million as at 1 July 2014. The operations of GPC were classified as a discontinued operation held for sale asset from September 2014.

On 12 December 2014, Otto announced it had executed a superior sale and purchase agreement with Nido Petroleum Limited to divest GPC for US\$108 million on the same terms and conditions as the Risco SPA. Nido assumed all production rights and liabilities associated with GPC Interest with effect from 1 July 2014.

Shareholder approval for the sale of Galoc Production Company was received on 20 January 2015. On 17 February 2015, the sale of Galoc Production Company W.L.L to Nido Petroleum Ltd was completed. The sale consideration was US\$108 million, based on the effective date of 1 July 2014 and before leakages up until closing date.

The results of Galoc Production Company W.L.L. for the period until sale are presented below:

	17-Feb-2015	2014
	US\$'000	US\$'000
Revenue	45,217	73,693
Cost of Sale	(14,826)	(29,701)
Gross Profit	30,391	43,992
Other Expenses	(2,107)	(13,968)
Profit before Tax from a Discontinued Operation	28,284	30,024
Income Tax (Expense)/Benefit	(5,830)	78
Net Profit after Income Tax from a Discontinued Operations	22,454	30,102
Gain on sale of the subsidiary after income tax	10,339	-
Profit from discontinued operation	32,793	30,102

The major classes of assets and liabilities of Galoc Production Company W.L.L. which were divested are as follows:

	17-Feb-2015
	US\$'000
Assets	
Cash and cash equivalents	6,206
Trade and other receivables	1,126
Other assets	11,537
Inventories	3,100
Oil and gas properties	87,668
	109,637
Liabilities	
Trade and other payables	8,630
Provision for income tax payable	1,760
Deferred tax liabilities	13,962
Provisions	9,018
	33,370
Net assets	76,267

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ending 30 June 2015

The net cash flows incurred by Galoc Production Company W.L.L. are as follows:

	17-Feb-2015
	US\$'000
Operating	26,595
Investing	165
Financing	-
Net cash inflow/(outflow)	26,760

Details of the sale of the subsidiary:

	17-Feb-2015
	US\$'000
Consideration received or receivable:	
Final price received on settlement	87,423
Less transactions costs	(817)
Net disposal consideration	86,606
Carrying amount of net assets sold	(76,267)
Gain on sale after income tax	10,339

8. Dividends Paid

	2015	2014
	US\$'000	US\$'000
Dividends paid during the financial year:		
Current year unfranked special dividend AUD\$0.0076, paid 26 June 2015 (2014: nil)	6,801	-
	6,801	-

9. Cash and Cash Equivalents

	2015	2014
	US\$'000	US\$'000
Cash at bank and in hand	41,206	7,735
	41,206	7,735

Risk exposure

The consolidated entity's exposure to interest rate risk is discussed in Note 22. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ending 30 June 2015

10. Trade and Other Receivables

	2015	2014
	US\$'000	US\$'000
Current		
Other receivables	-	18
	-	18

No consolidated entity trade receivables are past due or impaired at 30 June 2015 (30 June 2014: nil) and there is no indication that amounts recognised as trade and other receivables will not be recovered in the normal course of business. Refer credit risk, Note 22(a).

11. Other Assets

	2015	2014
	US\$'000	US\$'000
Current		
Prepayments	169	196
Other assets	532	1,562
	701	1,758
Non-Current		
Other assets	6	1,355
Decommissioning fund	-	6,600
	6	7,955

12. Inventories

	2015	2014
	US\$'000	US\$'000
Raw materials		
Oil (held in storage)	-	2,150
Fuel	-	141
Drilling and other inventory	2,422	650
	2,422	2,941

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ending 30 June 2015

13. Property Plant and Equipment

	Plant & Equipment	Furniture & Fixtures	Total
	US\$'000	US\$'000	US\$'000
Year ended 30 June 2014			
Balance at the beginning of year	696	198	894
Additions	93	9	102
Disposals	(2)	-	(2)
Depreciation expense	(449)	(49)	(498)
Closing net book amount	338	158	496
At 30 June 2014			
Cost or fair value	2,015	293	2,308
Accumulated depreciation	(1,677)	(135)	(1,812)
Net book value	338	158	496
Year ended 30 June 2015			
Balance at the beginning of year	338	158	496
Additions	7	10	17
Disposals	(24)	(103)	(127)
Depreciation expense	(200)	(35)	(235)
Closing net book amount	121	30	151
At 30 June 2015			
Cost or fair value	1,723	106	1,829
Accumulated depreciation	(1,602)	(76)	(1,678)
Net book value	121	30	151

As part of the sale of GPC, Otto Energy Philippines, Inc.'s associated property, plant and equipment was disposed of, recognising a loss on disposal of \$0.12m for the year ended 30 June 2015. Otto Energy Ltd disposed of minor plant and equipment, realising a \$0.01m gain on disposal for the year ended 30 June 2015.

14. Exploration and Evaluation Assets and Oil and Gas Properties

Exploration and Evaluation Assets

	2015	2014
	US\$'000	US\$'000
At Cost		
As at 1 July	9,049	22,437
Additions	10,281	10,404
Impairment	(685)	(23,792)
Net carrying value	18,645	9,049

On 13 July 2015, the consolidated entity decided to relinquish its 100% stage in Service Contract 73. The decision to exit comes after reprocessing of existing seismic data was completed. A total of US\$0.69m was impaired as a result of the withdrawal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ending 30 June 2015

All capitalised exploration and evaluation costs and inventory as at 30 June 2015 relating to Service Contract 55, including \$5.03m in capitalised exploration and evaluation and \$2.42m in inventory costs, are fully recovered through the farm-in of Red Emperor Resources NL ("Red Emperor") and through BHPB's reimbursement. Red Emperor will reimburse 15% of costs following approval by the Philippines Department of Energy, and BHPB will refund up to \$24.5m of the costs incurred in drilling Hawkeye-1 upon completion of the drilling campaign.

The impairment expense recognised in the prior year relates to the withdrawal from Service Contract 51 and Service Contract 69, which had previously capitalised \$17.4m and \$6.4m respectively.

The consolidated entity has interests in the following wholly-owned and non-wholly owned oil and gas explorations assets:

Asset	Country	Principal Activity	Percentage Interest	
			2015	2014
Service Contract 55	Philippines	Offshore Palawan	93.18% ⁽ⁱ⁾	93.18%
Service Contract 73	Philippines	Offshore Mindoro-Cuyo	100%	100%
Kilosa-Kilombero	Tanzania	Kilosa-Kilombero	50%	50%
Pangani	Tanzania	Pangani	50%	50%

⁽ⁱ⁾On 28 February 2015 Red Emperor signed a farmout agreement for a 15% working interest in Service Contract 55, and as at 30 June 2015 was awaiting approval from the Philippines Department of Energy.

Oil and Gas Properties

Movements in oil and gas properties for the year included:

	2015	2014
	US\$'000	US\$'000
At Cost		
Oil and Gas properties - at cost	-	91,460
Net book value	-	91,460
As at 1 July	91,460	69,405
Additions	-	38,071
Amortisation	(3,792)	(16,016)
Disposals	(87,668)	
Net carrying value	-	91,460

15. Trade and Other Payables

	2015	2014
	US\$'000	US\$'000
Current Liabilities ⁽ⁱ⁾		
Trade payables	2,800	1,247
Other payables	-	3,508
	2,800	4,755

⁽ⁱ⁾Trade and other payables are expected to be settled with 12 months. Refer to Note 22 for further information on financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ending 30 June 2015

16. Provisions

	2015	2014
	US\$'000	US\$'000
Current Liability		
Provisions – employee benefits	98	196
	98	196
Non-Current Provision ⁽ⁱ⁾		
Provisions – employee benefits	68	132
Decommissioning Fund ⁽ⁱⁱ⁾	-	8,778
	68	8,910

(i) Amounts not expected to be settled within the next 12 months:

The non-current provision for employee benefits also includes all entitlements where employees have completed the required period of service that are not expected to be settled within 12 months.

(ii) Decommissioning fund was derecognised as part of the divestment of Galoc Production Company W.L.L. on 17 February 2015.

17. Contributed Equity

a) Share Capital

	2015 No.	2014 No.	2015 US\$'000	2014 US\$'000
At the beginning of year	1,151,790,071	1,140,290,071	131,577	131,577
Return of capital during the year at AUD\$0.0564	-	-	(50,473)	-
Shares issued during year on exercise of performance rights	12,500,000	11,500,000	-	-
	1,164,290,071	1,151,790,071	81,104	131,577

Following the sale of Galoc Production Company W.L.L., Otto paid \$0.0564 per share return of capital to shareholders on 26 June 2015.

b) Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number and amount paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. The ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

c) Options

Information relating to the Otto Energy Employee Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period, is set out in Note 23.

d) Performance Rights

Information relating to the Otto Energy Employee Performance Rights Plan, including details of performance rights issued, exercised and lapsed during the financial year and performance rights outstanding at the end of the reporting period, is set out in Note 23.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ending 30 June 2015

18. Other Reserves

	2015	2014
	US\$'000	US\$'000
Reserves		
Foreign currency translation reserve	4,188	4,188
Share based payment reserve	9,222	8,957
	13,410	13,145
<i>Foreign Currency Translation Reserve⁽ⁱ⁾</i>		
Balance at beginning of year	4,188	4,188
As at end of year	4,188	4,188
<i>Share Based Payment Reserve⁽ⁱⁱ⁾</i>		
Balance at beginning of year	8,957	8,685
Share based payment expense	265	272
As at end of year	9,222	8,957

⁽ⁱ⁾ *Foreign Currency Translation Reserve*

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in Note 1(d) and accumulated in a separate reserve within equity.

⁽ⁱⁱ⁾ *Share Based Payment Reserve*

The share-based payments reserve is used to recognise the value of share-based payments provided to employees (including key management personnel) as part of their remuneration; and share options and performance rights issued as part of consideration for acquisitions. Refer to Note 23 for further details of these plans.

19. Earnings per Share

a) Earnings per share attributable to the ordinary equity holders of the Company

	2015	2014
	US cents	(Restated) US cents
Basic loss per share from continuing operations	(0.59)	(2.63)
Basic earnings per share from discontinued operations	2.83	2.62
Total basic earnings/(loss) per share attributable to the ordinary equity holders of the Company	2.24	(0.01)
Diluted loss per share from continuing operations	(0.59)	(2.63)
Diluted earnings per share from discontinued operations	2.82	2.62
Total diluted earnings/(loss) per share attributable to the ordinary equity holders of the Company	2.23	(0.01)

b) Earnings used in calculation of basic / diluted earnings per share

	2015	2014
	US\$'000	(Restated) US\$'000
Net loss after tax from continuing operations	(6,793)	(30,195)
Net profit after tax from discontinued operations	32,793	30,102

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ending 30 June 2015

c) Weighted average number of ordinary shares used as a denominator in calculating

	2015	2014
	Number of Shares	Number of Shares
Basic earnings per share	1,156,832,537	1,146,503,770
Diluted earnings per share	1,164,132,537	1,146,503,770

Options and share rights

The options and share rights have not been considered in the determination of basic EPS. Details relating to options and share rights are set out in Note 23.

Performance share rights are only included in determining diluted EPS to the extent that they are dilutive.

The exercise prices of all options are included in Note 23. In determining diluted EPS, options with an exercise price greater than the average Otto Energy Limited's share price over the year have not been included, as these are not considered dilutive.

20. Subsidiaries

Significant investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in Note 1(b):

Subsidiaries of Otto Energy Limited	Country of Incorporation	Class of shares	Equity holding ⁽ⁱ⁾	
			2015 (%)	2014 (%)
Otto Energy (Tanzania) Pty Limited	Australia	Ordinary	100	100
Otto Energy Investments Limited	Bermuda	Ordinary	100	100
Otto Energy Philippines Inc	Philippines	Ordinary	100	100
Colag (BVI) Limited	British Virgin Islands	Ordinary	100	100
Otto Energy (Galoc Investment 1) Aps	Denmark	Ordinary	100	100
Otto Energy (Galoc Investment 2) Aps	Denmark	Ordinary	100	100
GPC Investments SA	Switzerland	Ordinary	100	100
Galoc Production Company W.L.L	Bahrain	Ordinary	-	100

⁽ⁱ⁾ The proportion of ownership interest is equal to the proportion of voting power held.

21. Interest in Joint Operations

a) Joint operations

The consolidated entity's interest in joint arrangement assets as at 30 June 2015 is detailed below. Exploration is the principal activity performed across these assets.

		Group Interest (%)	Group Interest (%)
		2015	2014
Service Contract 55	Philippines	93.18	93.18
Kilosa-Kilombero	Tanzania	50	50
Pangani	Tanzania	50	50

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ending 30 June 2015

b) Commitments through joint operations

The aggregate of the consolidated entity's commitments through jointly controlled assets is as follows:

	2015	2014
	US\$'000	US\$'000
Exploration and other capital expenditure commitments	9,000	9,500

22. Financial Risk Management

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed.

Otto's Board of Directors ("Board") is responsible for approving Otto's policies on risk oversight and management and ensuring management has developed and implemented effective risk management and internal control. Risk management is carried out by the senior finance executives under these policies which have been approved by the Board. Finance identifies, evaluates and, if necessary, hedges financial risks within the consolidated entity's operating units. The Board then receives reports as required from the Chief Financial Officer in which they review the effectiveness of the processes implemented and appropriateness of policies it sets. Currently, the Group does not apply any form of hedge accounting.

These disclosures are not, nor are they intended to be, an exhaustive list of risks to which Otto is exposed.

a) Market Risk

Market risk arises from Otto's exposure to the use of interest bearing and foreign currency financial instruments. It is a risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates (currency risk) and interest rates (interest rate risk).

i) Foreign Exchange Risk

The consolidated entity's source currency for the majority of revenue and costs is in US dollars. Given the location of the group offices there is a small exposure to foreign exchange risk arising from the fluctuations in the US dollar and Australian dollar, and US dollar and Philippine peso on cash balances.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The exposure to risk is measured using sensitivity analysis and cash flow forecasting.

The Board has formed the view that it would not be beneficial for the consolidated entity to purchase forward contracts or other derivative financial instruments to hedge this foreign exchange risk. Factors which the Board considered in arriving at this position included the expense of purchasing such instruments and the inherent difficulties associated with forecasting the timing and quantum of cash inflows and outflows compared to the relatively low volume and value of commercial transactions and recognised assets and liabilities denominated in a currency which is not US dollars.

	30 June 2015			
	US\$ US\$'000	A\$ US\$'000	PHP US\$'000	Total US\$'000
Financial Assets				
Cash and Cash equivalents	40,630	516	60	41,206
Total Financial Assets	40,630	516	60	41,206
Financial Liabilities				
Trade and Other payables	2,546	141	113	2,800
Total Financial Liabilities	2,546	141	113	2,800

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ending 30 June 2015

	30 June 2014			
	US\$ US\$'000	A\$ US\$'000	PHP US\$'000	Total US\$'000
Financial Assets				
Cash and Cash equivalents	7,467	70	198	7,735
Trade and other receivables	8	1	9	18
Total Financial Assets	7,475	71	207	7,753
Financial Liabilities				
Trade and Other payables	4,186	476	93	4,755
Total Financial Liabilities	4,186	476	93	4,755

A hypothetical change of 10% in the Australian dollar and Philippine Peso exchange rate was used to calculate the consolidated entity's sensitivity to foreign exchange rates movements as this is management's estimate of possible rate movements over the coming year taking into account current market conditions and past volatility (30 June 2014: 10%). At 30 June 2015, management has assessed that the entity's exposure to foreign exchange movements is found to be immaterial (2014: Immaterial exposure) therefore no further analysis provided.

ii) Interest Rate Risk

The consolidated entity is exposed to interest rate risk through liquid funds on deposit. The consolidated entity's policy is to maximise the return on cash held through the use of high interest deposit accounts and term deposits where possible.

Currently, the Group does not have any interest-bearing liabilities.

		2015	2014
		US\$'000	US\$'000
Financial assets			
Cash assets	Floating rate ⁽ⁱ⁾	41,206	7,735

⁽ⁱ⁾Weighted average effective interest rate of funds on deposit is Nil (2014: Nil)

Sensitivity analysis – change in interest rates

A 25 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rate.

At reporting date, if interest rates had been 25 basis points higher or lower and all other variables were held constant, the consolidated entity's profit or loss and equity for the year is found to be immaterial (2014: immaterial) therefore no further analysis provided.

iii) Credit Risk

Credit risk arises from cash and cash equivalents and long term deposits with financial institutions.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised below, none of which are impaired or past due.

	2015	2014
	US\$'000	US\$'000
Cash and cash equivalents	41,206	7,735
Long-term deposits and other assets	-	7,404
	41,206	15,139

To manage credit risk from cash and cash equivalents financial assets, it is the consolidated entity's policy to only deposit with banks maintaining a minimum independent rating of 'AA'. Due to the operating environments in the Philippines, it is not currently possible for all the deposit cash with financial institutions that have an 'AA' rating.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ending 30 June 2015

	Cash at bank and short term deposits		Other Assets	
	2015	2014	2015	2014
	US \$'000	US\$'000	US \$'000	US\$'000
AA Rated	41,151	7,529	-	804
BBB Rated	55	203	-	6,600
Unrated	-	3	-	-
	41,206	7,735	-	7,404

The consolidated entity trades only with recognised, trustworthy third parties. It is the consolidated entity's policy to perform credit verification procedures in relation to any customers wishing to trade on credit terms with the consolidated entity. These include taking into account the customers' financial position and any past experience to set individual risk limits as determined by the Board.

b) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, availability of funding and access to capital markets. It is the policy of the Board to ensure that the consolidated entity is able to meet its financial obligations and maintain the flexibility to pursue attractive investment opportunities through ensuring the consolidated entity has sufficient working capital and preserving the 15% share issue limit available to the Company under the ASX Listing Rules. The consolidated entity manages liquidity risk by continuously monitoring forecast and actual cash flows. As at reporting date the consolidated entity had sufficient cash reserves to meet its current requirements.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

Contractual maturities financial liabilities	Less than 1 year US\$'000	Between 1-2 years US\$'000	Between 2-5 years US\$'000	Total contractual cash flows US\$'000	Carrying amount (assets) / liabilities US\$'000
Trade payables and other payables					
- 2015	2,800	-	-	2,800	2,800
- 2014	4,755	-	-	4,755	4,755

c) Capital Risk Management

The consolidated entity manages its capital to ensure that entities in the consolidated entity will be able to continue as a going concern while maximising the potential return to shareholders through the optimisation of debt and equity balance.

The capital structure of the consolidated entity is entirely equity (2014: 100% equity).

In determining the funding mix of debt and equity (total borrowings/total equity), consideration is given to the relative impact of gearing ratio on the ability of the consolidated entity to service loan interest and repayment schedules, credit facility covenants and also to generate adequate free cash available for corporate and oil and gas exploration, development and production activities. The debt to equity rate is 0% as at 30 June 2015 (2014: 0%).

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment.

23. Share-Based Payments

a) Employee Share Option Plan

The establishment of the Employee Share Option Plan was approved by shareholders at the 2013 Annual General Meeting. The Employee Option Plan is designed to provide long term incentives for senior managers and employees to deliver long term shareholder returns. Under the plan, participants are granted options at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ending 30 June 2015

Options granted under the plan carry no dividend or voting rights.

The exercise price of options is based on the weighted average price at which the Company's shares are traded on the Australian Securities Exchange (ASX) during the week up to and including the date of the grant.

Set out below are summaries of share options granted under the Employee Share Option Plan:

2015		Exercise Price	Balance at start of the year	Granted during the year	Exercised during the year	Expired / Forfeited during the year	Balance at end of the year	Vested and exercisable at end of the year
Grant Date	Expiry Date	A\$	Number	Number	Number	Number	Number	Number
13 Oct 2011	13 Oct 2014	0.12	750,000	-	-	(750,000)	-	-
5 Jan 2012	5 Jan 2015	0.12	500,000	-	-	(500,000)	-	-
2 Dec 2013	2 Dec 2016	0.0549	8,000,000	-	-	-	8,000,000	8,000,000
Total			9,250,000	-	-	(1,250,000)	8,000,000	8,000,000
Weighted average exercise price – A\$			0.12	-	-	0.12	0.05	0.05

2014		Exercise Price	Balance at start of the year	Granted during the year	Exercised during the year	Expired / Forfeited during the year	Balance at end of the year	Vested and exercisable at end of the year
Grant Date	Expiry Date	A\$	Number	Number	Number	Number	Number	Number
11 Aug 2010	11 Aug 2013	0.12	3,000,000	-	-	(3,000,000)	-	-
26 Nov 2010	26 Nov 2013	0.12	9,000,000	-	-	(9,000,000)	-	-
30 Nov 2010	30 Nov 2013	0.13	6,000,000	-	-	(6,000,000)	-	-
13 Oct 2011	13 Oct 2014	0.12	1,250,000	-	-	(500,000)	750,000	750,000
5 Jan 2012	5 Jan 2015	0.12	2,500,000	-	-	(2,000,000)	500,000	500,000
2 Dec 2013	2 Dec 2016	0.1113	-	8,000,000	-	-	8,000,000	8,000,000
Total			21,750,000	8,000,000	-	(20,500,000)	9,250,000	9,250,000
Weighted average exercise price – A\$			0.12	0.11	-	0.12	0.12	0.12

An option may only be exercised after that option has vested and any other conditions imposed by the Board on exercise are satisfied. Options are granted under the plan for no consideration. Options granted under the plan carry no dividend or voting rights.

When exercisable, shares allotted pursuant to the exercise of options will be allotted following receipt of all the relevant documents and payments and will rank equally with all other shares. The exercise price of options is based on the weighted average price at which the Company's shares are traded on the Australian Securities Exchange during the five trading days immediately before the options are granted.

There were 1,250,000 options that expired during the year ended 30 June 2015. The weighted average remaining contractual life of share options outstanding at the end of the year is 1.43 years (2014: 0.74 years).

The above amounts representing options granted as part of remuneration are calculated in accordance with AASB 2 Share Based Payments. AASB 2 requires that the expense associated with a share based payment is calculated at grant date and then subsequently amortised over the option vesting period.

During the year ended 30 June 2015 the consolidated entity issued no options under the Employee Share Plan (2014: 8,000,000 options).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ending 30 June 2015

The assessed fair values at grant date of options granted to employees are detailed below:

Grant date	5 December 2013
Exercise price – A\$	0.1113
Expiry date	2 December 2016
Share price at grant date – A\$	0.08
Expected volatility	90%
Expected dividend yield	Nil
Risk free rate	3.02%
Fair value – A\$	0.04

The expected price volatility is based upon the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

As a result of the AUD\$0.0564 per share return of capital which occurred on 26 June 2015, the exercise price of the remaining options was adjusted down by the capital return amount per share to A\$0.0549.

b) Performance Rights Plan

The Performance Rights Plan was approved by shareholders at the 2013 Annual General Meeting. The Performance Rights Plan is designed to provide long term incentives for senior managers and employees to deliver long term shareholder returns. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The amount of performance rights that will vest depends on vesting period and/or Otto Energy Limited's TSR, including share price growth, dividends, and capital returns. Once vested, the performance rights are automatically converted to shares. Performance rights are granted under the plan for no consideration.

Rights granted under the plan carry no dividend or voting rights.

Set out below are summaries of rights granted under the Performance Rights Plan:

Date of Issue	Balance at Start of Year	Rights Issued During the Year	Fair Value on Date of Issue A\$	Exercised	Lapsed/ Expired	Balance at End of Year	Expiry Date
1 Oct 2011	4,000,000	-	0.02	(4,000,000)	-	-	31 Dec 2014
1 Feb 2013	8,500,000	-	0.02	(8,500,000)	-	-	1 Apr 2016
3 Oct 2014	-	2,766,670	0.05	-	(500,000)	2,266,670	31 Dec 2018
3 Oct 2014	-	2,766,665	0.05	-	(500,000)	2,266,665	31 Dec 2018
3 Oct 2014	-	2,766,665	0.06	-	(500,000)	2,266,665	31 Dec 2018
3 Oct 2014	-	166,670	0.07	-	-	166,670	31 Dec 2018
3 Oct 2014	-	166,665	0.06	-	-	166,665	31 Dec 2018
3 Oct 2014	-	166,665	0.05	-	-	166,665	31 Dec 2018
23 Apr 2015	-	2,079,170	0.06	-	-	2,079,170	31 Dec 2019
23 Apr 2015	-	2,079,167	0.07	-	-	2,079,167	31 Dec 2019
23 Apr 2015	-	2,079,163	0.07	-	-	2,079,163	31 Dec 2019
23 Apr 2015	-	79,166	0.09	-	-	79,166	31 Dec 2019
23 Apr 2015	-	79,167	0.08	-	-	79,167	31 Dec 2019
23 Apr 2015	-	79,167	0.07	-	-	79,167	31 Dec 2019
Total	12,500,000	15,275,000	0.04	(12,500,000)	(1,500,000)	13,775,000	
WAEP – A\$	0.02	0.06		0.02	0.05	0.06	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ending 30 June 2015

Date of Issue	Balance at Start of Year	Rights Issued During the Year	Fair Value on Date of Issue US\$	Exercised	Lapsed/ Expired	Balance at End of Year	Expiry Date
1 Oct 2011	10,000,000	-	0.02	(6,000,000)	-	4,000,000	31 Dec 2014
1 Nov 2011	5,000,000	-	0.02	(500,000)	(4,500,000)	-	1 Apr 2014
1 Nov 2011	5,000,000	-	0.02	(5,000,000)		-	1 Nov 2014
1 Nov 2011	5,000,000	-	0.02		(5,000,000)	-	1 Apr 2015
1 Feb 2013	15,700,000	-	0.02		(7,200,000)	8,500,000	1 Apr 2016
Total	40,700,000	-		(11,500,000)	(16,700,000)	12,500,000	

On 3 October 2014, the Group issued 8,800,000 Performance Rights to employees. On 23 April 2015, the Group issued a further 6,475,000 Performance Rights to employees. The assessed fair values at grant date of rights granted to employees, including key management personnel, are detailed below:

Total Return on Shareholders ("TSR") based performance rights:

Measurement date	1 February 2017	1 February 2018	1 February 2019	1 February 2016	1 February 2017	1 February 2018
Grant date	23 April 2015	23 April 2015	23 April 2015	3 October 2014	3 October 2014	3 October 2014
Expiry date	31 December 2019	31 December 2019	31 December 2019	31 December 2018	31 December 2018	31 December 2018
Number of rights	2,079,170	2,079,167	2,079,163	2,766,670	2,766,665	2,766,665
Share price at grant date – A\$	0.11	0.11	0.11	0.09	0.09	0.09
Expected volatility	47.7%	51.2%	51.2%	51.3%	52.4%	53.2%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil	Nil
Risk free rate	1.95%	1.90%	1.90%	2.60%	2.60%	2.60%
Fair value - \$A	0.06	0.07	0.07	0.05	0.05	0.06

Time based performance rights:

Measurement date	1 February 2017	1 February 2018	1 February 2019	1 February 2016	1 February 2017	1 February 2018
Grant date	23 April 2015	23 April 2015	23 April 2015	3 October 2014	3 October 2014	3 October 2014
Expiry date	31 December 2019	31 December 2019	31 December 2019	31 December 2018	31 December 2018	31 December 2018
No. of rights	79,166	79,167	79,167	166,670	166,665	166,665
Share price at grant date – A\$	0.11	0.11	0.11	0.09	0.09	0.09
Fair value - \$A	0.09	0.08	0.07	0.07	0.06	0.05

The expected price volatility is based upon the historic volatility (based on the remaining life of the rights), adjusted for any expected changes to future volatility due to publically available information.

For the year ended 30 June 2015, the Group has recognised \$265,000 of share-based payment transactions expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income (30 June 2014: \$272,000).

c) Expenses arising from share based payment transactions

	2015	2014
	US\$'000	US\$'000
Options	-	293
Performance rights	265	(21)
Share-based payments expensed	265	272

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ending 30 June 2015

24. Related Party Transactions

a) Key Management Personnel Compensation

	2015	2014
	US\$'000	US\$'000
Short-term employee benefits	1,864	2,045
Post-employment benefits	141	113
Termination Benefits	86	540
Share-based payments	161	252
	2,252	2,950

Detailed remuneration disclosures are provided in the remuneration report on pages 29 to 39.

25. Reconciliation of (loss)/profit after income tax to net cash inflow from operating activities

	Note	2015	2014
		US\$'000	US\$'000
Cash flows from operating activities			
Loss before tax from continuing operations		(6,793)	(30,195)
Profit before tax from discontinued operations		32,793	30,102
Non-cash items			
Depreciation and amortisation		4,028	16,514
Impairment of exploration assets		685	23,792
Non-cash employee benefits expense – share-based payments		265	272
Unwinding of borrowing costs		-	2,705
Loss on derivative through profit or loss		-	1,916
Profit from discontinued operations		(10,339)	-
Other non-cash expenses		378	801
Change in operating assets and liabilities, net of effects from			
Decrease/(Increase) in trade other receivables		27	2,729
Decrease/(Increase) in other operating assets		30	(816)
Decrease/(Increase) in inventories		(2,422)	(808)
Decrease/(Increase) in deferred tax assets		-	1
(Decrease)/Increase in trade and other payables		1,515	(4,011)
(Decrease)/Increase in provision for income taxes payable		13	1,791
(Decrease)/Increase in provisions		(166)	(116)
(Decrease)/Increase in deferred tax liabilities		-	(2,524)
Net cash inflow from operating activities		20,014	42,153

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ending 30 June 2015

26. Auditors' Remuneration

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2015	2014
	US\$	US\$
1) BDO Australia		
a) Audit and Other Assurance services:		
i) Audit and review of financial statements	107,971	113,803
ii) Other assurance services	-	7,432
Total remuneration for audit and other assurance services	107,971	121,235
b) Taxation services:		
i) Tax compliance services	29,431	52,802
ii) Tax consulting and tax advice	105,332	67,412
Total remuneration for taxation services	134,763	120,214
Total remuneration of BDO Australia	242,734	241,449
2) Network firms of BDO Australia		
a) Audit and Other Assurance services:		
i) Audit and review of financial statements	11,852	24,894
ii) Other assurance services	-	-
Total remuneration for audit and other assurance services	11,852	24,894
b) Taxation services:		
i) Tax compliance services	-	-
ii) International tax consulting	346	-
Total remuneration for taxation services	346	-
Total remuneration of network firms of BDO Australia	12,198	24,894
3) Non-BDO		
a) Audit and Other Assurance services:		
i) Audit and review of financial statements	-	62,117
ii) Other assurance services	-	1,149
Total remuneration for audit and other assurance services	-	63,266
b) Taxation services:		
i) Tax compliance services	-	1,986
ii) International tax consulting and tax advice	21,637	23,394
Total remuneration for taxation services	21,637	25,380
Total remuneration of non-BDO audit firms	21,637	88,646
Total auditors' remuneration	276,569	354,898

It is the consolidated entity's policy to employ BDO on assignments additional to their statutory audit duties where BDO's expertise and experience with the consolidated entity are important. These assignments are principally tax advice and due diligence reporting on acquisitions, or where BDO is awarded assignments on a competitive basis. It is the consolidated entity's policy to seek competitive tenders for all major consulting projects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ending 30 June 2015

27. Contingent Liabilities and Contingent Assets

Contingent Consideration Payable (Middle East Petroleum Services)

In 2008 the Company's shareholders approved an arrangement to buy back a 5% gross overriding royalty over the production revenues generated from its petroleum interests in SC55 in the Philippines from Middle East Petroleum Services ("MEPS"). MEPS are a privately-held company that originally negotiated the farm in deal for Otto Energy in the Philippines acreage in 2005. As part of the farm-in agreement MEPS retained a 5% gross overriding royalty over Otto Energy Investment's share of the assets.

Under the buyback agreement referred to above, there is a contingent consideration component whereby Otto will also pay MEPS a production bonus of US\$1.5m, should the block produce 1.5m barrels of oil equivalent during the term of Otto's license.

Contingent Asset (Red Emperor)

On 28 February 2015 Red Emperor signed a farm-in agreement with Otto Energy Philippines Inc. for a 15% working interest in Service Contract 55. The application was awaiting approval by the DOE as at 30 June 2015. Red Emperor will reimburse the Group for 15% of the Hawkeye-1 well costs incurred to 30 June 2015 following final approval by the DOE.

28. Commitments

a) Capital Commitments

Capital and exploration expenditure contracted for at the reporting date but not recognised as liabilities are as follows:

	2015	2014
	US\$'000	US\$'000
Committed capital and exploration expenditure commitments.		
No longer than 1 year	9,000	7,016
Longer than 1 year and no longer than 5 years	-	6,066
More than 5 years	-	116
	9,000	13,198

b) Lease Commitments: Group as Lessee

The consolidated entity leases corporate offices under non-cancellable operating leases. The leases have varying terms, escalation terms and renewal rights. On renewal, the terms of the leases may be renegotiated.

Non-cancellable operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2015	2014
	US\$'000	US\$'000
No longer than 1 year	325	495
Longer than 1 year and no longer than 5 years	551	1,333
	876	1,828

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ending 30 June 2015

29. Events Occurring after the Reporting Period

On 21 July 2015 the Company acquired 100% of the issued capital of Borealis Petroleum Pty Ltd, to earn an interest, through staged capital injections, in a substantial acreage position in onshore Alaskan North Slope, held by Great Bear Petroleum Operation LLC. Borealis Petroleum Pty Ltd was acquired through the issue of 17,518,250 shares in the Company.

On 27 July 2015 Red Emperor Resources received approval from the Department of Energy in Philippines for the farm-in of a 15% working interest into SC55.

On 30 July 2015 Pryce Gases Inc agreed to a farm-in option for a 10% working interest in the drilling of the Hawkeye-1 exploration well.

Hawkeye-1 drilling was completed to a depth of 2,920 metres in August 2015 with uneconomical quantities of hydrocarbons discovered. Hawkeye-1 was plugged and abandoned, and is currently undergoing analysis to incorporate into the Company's understanding of its other SC55 prospects, including Cinco.

30. Parent Entity Disclosures

As at, and throughout the financial year ended 30 June 2015, the parent Company of the consolidated entity was Otto Energy Limited.

	Parent Entity	
	2015 US\$'000	2014 US\$'000
Summarised Statement Of Profit or Loss and Other Comprehensive Income		
Profit/(loss) for the year after tax	73,463	(25,579)
Total comprehensive profit/(loss) for the year	73,463	(25,579)
Summarised Statement of Financial Position		
Current Assets	44,068	8,870
Non Current Assets	1,926	12,164
Total Assets	45,994	21,034
Current Liabilities	219	1,724
Non Current Liabilities	10,071	58
Total Liabilities	10,290	1,782
Net Assets	35,706	19,252
Total equity of the parent entity comprising:		
Share Capital	81,104	131,577
Share based payments reserves	9,221	8,956
Foreign currency translation reserve	118	118
Accumulated Losses	(54,737)	(121,399)
Total Equity	35,706	19,252

Guarantees entered into by the parent in relation to the debts of its subsidiaries

The parent entity had no guarantees as at 30 June 2015. As at 30 June 2014, the parent entity had guaranteed financial payment obligations of its subsidiary, Galoc Production Company W.L.L., with its supplier, Rubicon Offshore International Pte Ltd, for up to US\$862,500.

Contingent Liabilities

The parent entity had no contingent liabilities as at 30 June 2015 and 30 June 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ending 30 June 2015

Commitments

The parent entity had no capital commitments for property plant and equipment as at 30 June 2015 and 30 June 2014. The parent entity has a non-cancellable operating lease payable as follows:

	2015	2014
	US\$'000	US\$'000
No longer than 1 year	325	376
Longer than 1 year and no longer than 5 years	551	1,333
	876	1,709

Significant Accounting Policies

The accounting policies of the parent entity are consistent with those of the consolidated entity as disclosed in Note 1 and Note 2, except for the following; investments in subsidiaries are accounted for at cost, less any impairment in the parent entity.

DIRECTOR'S DECLARATION

For The Year Ending 30 June 2015

In the Directors' opinion:

- a) The financial statements and accompanying notes are in accordance with the Corporations Act 2001, including:
 - i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements
 - ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date
- b) The financial statements and notes comply with International Financial Reporting Standards as disclosed in note 1.
- c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



Mr I Macliver
Director

24 September 2015

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF OTTO ENERGY LIMITED

For The Year Ending 30 June 2015



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INDEPENDENT AUDITOR'S REPORT

To the members of Otto Energy Limited

Report on the Financial Report

We have audited the accompanying financial report of Otto Energy Limited, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF OTTO ENERGY LIMITED

For The Year Ending 30 June 2015



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Otto Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Otto Energy Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Otto Energy Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink that reads 'J Prue'. The signature is written in a cursive style and is positioned below the printed name 'Jarrad Prue'.

Jarrad Prue

Director

Perth, 24 September 2015

ASX ADDITIONAL INFORMATION

For The Year Ending 30 June 2015

The shareholder information set out below was applicable as at 31 August 2015 unless otherwise stated

a) Distribution of Equity Securities

The issued capital of the Company at 31 August 2015 is 1,181,808,321 ordinary fully paid shares. All ordinary shares carry one vote per share. There are no listed options.

Ordinary Shares	No. of Holders	No. of Shares
100,001 and over	683	108,985,190
10,001 – 100,000	2,073	85,010,386
5,001 – 10,000	712	5,860,432
1,001 – 5,000	315	1,061,947
1 – 1,000	120	23,366
	3,903	1,181,808,321
Number holding less than a marketable parcel size of 16,667 shares at A\$0.03 per share	1,539	12,065,804
Shareholders by Location	No. of Holders	No. of Shares
Australian holders	3,649	868,897,084
Overseas holders	254	312,911,237
	3,903	1,181,808,321

b) Equity Security Holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

	Name	Ordinary Shares	
		Number Held	% of issued shares
1	SANTO HOLDING AG	241,910,757	20.47%
2	MOLTON HOLDINGS LIMITED	241,910,757	20.47%
3	ACORN CAPITAL LIMITED	69,559,640	5.89%
4	CITICORP NOMINEES PTY LIMITED	50,048,571	4.23%
5	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	32,454,257	2.75%
6	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	26,782,875	2.27%
7	RICK CRABB (CONSOLIDATED RELEVANT INTEREST)	17,795,052	1.51%
8	JOHN JETTER (CONSOLIDATED RELEVANT INTEREST)	16,089,175	1.36%
9	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD <CLIENT ACCOUNT>	14,020,833	1.19%
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER	11,214,626	0.95%
11	ESCOT FINANCE LTD	8,150,000	0.69%
12	NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	7,930,357	0.67%
13	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	7,373,659	0.62%
14	FORSYTH BARR CUSTODIANS LTD <FORSYTH BARR LTD-NOMINEE A/C>	7,295,071	0.62%
15	SPHINX HOLDINGS LTD	6,639,085	0.56%
16	PAN PACIFIC PETROLEUM NL	6,080,340	0.51%
17	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	5,534,424	0.47%
18	IAN MACLIVER (CONSOLIDATED RELEVANT INTEREST)	4,549,721	0.38%
19	MR TIMOTHY FRANCIS CLIVE MCDONNELL & MRS MILA MCDONNELL	4,514,100	0.38%
20	WENDY MARY CHAN	4,267,541	0.36%
		784,120,841	66.35%

ASX ADDITIONAL INFORMATION

For The Year Ending 30 June 2015

c) Substantial Shareholders

		No. of Shares Held	% Held
1	Santo Holding AG	241,910,757	20.47%
2	Molton Holdings Limited	241,910,757	20.47%
3	Acorn Capital Limited	69,559,640	5.89%

d) Unquoted Securities

The unlisted securities of the Company as at 18 September 2015 are 14,775,000 performance rights and 8,000,000 options. The performance rights and options do not carry a right to vote at a general meeting of shareholders.

Unlisted Options

Vesting Date	Expiry Date	Exercise Price	No. of Options	No. of Holders
2 December 2013	2 December 2016	A\$0.0549	8,000,000	3
			8,000,000	

Unlisted Performance Rights*

Issue Date	Expiry Date	Exercise Price	No. Of Performance Rights	No. of Holders
3 October 2014	31 December 2018	A\$0.00	6,900,000	8
23 April 2015	31 December 2019	A\$0.00	6,475,000	8
14 August 2015	31 December 2019	A\$0.00	1,400,000	1
			14,775,000	

* Subject to meeting certain share price and service hurdles

e) Voting Rights

In accordance with the Company's Constitution, on a show of hands every shareholder present in person or by proxy, attorney or representative of a shareholder has one vote and on a poll every shareholder present in person or by proxy, attorney or representative of a shareholder has in respect of fully paid shares, one vote for every share held. No class of option holder has a right to vote, however the shares issued upon exercise of options will rank pari passu with the then existing issued fully paid ordinary shares.



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