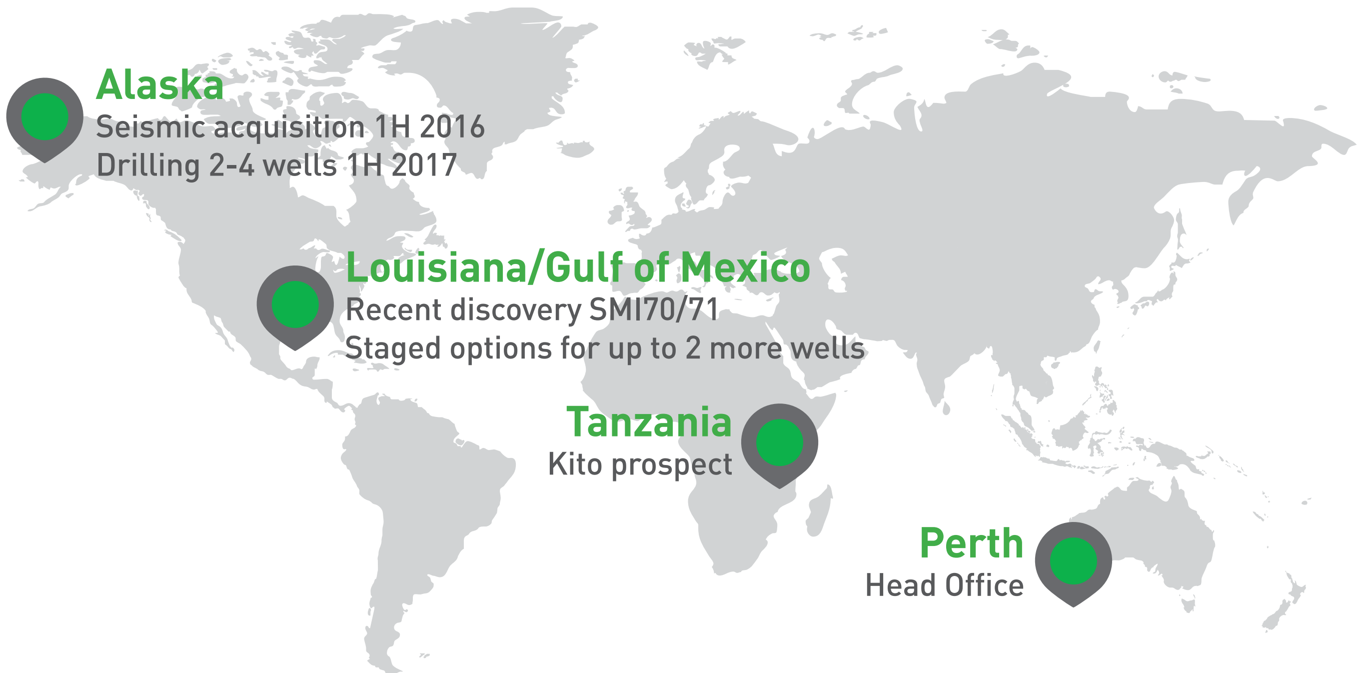
OTTO ENERGY

2016
ANNUAL REPORT


Alaska
Seismic acquisition 1H 2016
Drilling 2-4 wells 1H 2017
Louisiana/Gulf of Mexico
Recent discovery SMI70/71
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Head Office

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CHAIRMAN'S REPORT

DEAR SHAREHOLDERS,

It is my pleasure to present the 12th Annual Report to shareholders at the end of a year which marks the beginning of a new era for Otto Energy.

I would like to begin by thanking my predecessor Rick Crabb for his long and loyal service as chairman from 2004 until 2015. Rick provided the company with sound and thoughtful guidance and successfully steered the company through some exciting but also some difficult times. The same can be said about Rufino Bomasang (Boomie) who was instrumental in guiding us through our activities in the Philippines over many years.

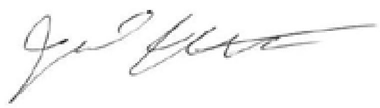
One of the most important distinguishing features of Otto Energy is the quality and stability of its Board and Management which gives the company a significant advantage over other companies of similar size.

After the successful divestment of our stake in Galoc and the return of $0.064 per share (including dividends) to shareholders, the Board and Management conducted a detailed strategic review to determine how best to create value for all our shareholders going forward. We read the tea leaves correctly and decided to patiently wait for the inevitable correction in the oil price to play out. We used the time to evaluate over 300 investment opportunities and eventually made two investments, one into Alaska and one into the Gulf of Mexico.

The latter provided us with an early success with the announcement of a commercial discovery at SM-71 in April 2016. We expect to go into production in mid-2017. Together with our joint venture partner Byron Energy we plan to drill another highly prospective opportunity in the Gulf of Mexico (Bivouac Peak) in 2017, and similarly with our joint venture partner Great Bear we expect to drill in Alaska in 2017.

Our strategy going forward is to remain highly disciplined in our evaluation of investment opportunities, and to only invest when the risk / reward equation justifies the investment. The energy business will always be risky, and we cannot promise success on every occassion, but we can promise to be as rigorous as humanly possible in our due diligence before investing shareholder money.

I thank you the shareholders for your continued support, the Directors for their guidance, and the management and staff for their commitment.



John Jetter
Chairman

MANAGING DIRECTOR'S REPORT

DEAR SHAREHOLDERS,

Welcome to Otto Energy's Annual Report for FY2016.

To say that FY2016 has been a year of significant challenge with strong headwinds for the oil and gas sector would be an understatement. The actions taken by the Otto Board and management in FY2015 had prepared the company for the period of downturn and enabled Otto to take advantage of opportunities that would ordinarily be closed to companies of Otto's size.

The support of Otto's shareholders, staff and my fellow directors throughout this challenging and rewarding period has been greatly appreciated.

Otto has become a focused North American oil and gas exploration and production company with a strategy to focus on specific play trends in which it has developed significant working knowledge.

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 focused pipeline of exploration and development 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

ACTIVE DRILLING PROGRAM

Drilling is critical to the growth of any oil and gas company, and Otto has continued to progress opportunities across its diverse portfolio of assets. Otto has been one of the most active and successful junior oil and gas companies on the ASX.

Louisiana

Otto secured a staged farm-in transaction with Byron Energy Ltd ("Byron") in late 2015 that provided access to a multi-asset portfolio of onshore and offshore Gulf of Mexico Miocene conventional drilling opportunities. Byron have successfully proven that reverse time migration of 3D seismic data has been able to image unswept oil around salt dome plays in the shallow water Gulf of Mexico, a technology that had previously only been applied in deep water. A two well drilling program occurred in the first half of 2016 with Byron.

Drilling of the South Marsh Island 6 #2 well in Q1 2016 resulted in two stuck drill pipe incidents and ultimately a decision was made to abandon the well prior to reaching the primary target interval.

Drilling of the second well in the program, the South Marsh Island 71 #1 well, in April 2016 successfully intersected four individual pay zones, with over 151 feet (46 metres) of net pay that have been completed and suspended awaiting tie-in to nearby production infrastructure. Otto expects that first production will be delivered in 2H 2017 from SM-71. Additional follow-up opportunities around this salt dome will now be progressed.

Otto elected to acquire a 45% working interest in the Bivouac Peak leases covering ~2,500 acres (10km^2) in the highly productive transitional zone in onshore southern Louisiana coastline. Drilling of the first well at Bivouac Peak is expected to occur in 1H 2017.

Tanzania

Planning is underway to drill the Kito-1 exploration well. The Kito-1 exploration well will test a Miocene play which is a potential extension of the prolific discoveries made in the East African Rift Valley system further to the north.

Otto's Net Prospective Resource estimate ranges from 30 to 274 MMbbls with a Best Estimate of 97 MMbbls for the Kito structure. Success of the first exploration well in this basin would unlock significant additional follow-up potential.

Alaska

In August 2015, Otto acquired a position on the Alaska North Slope operated by Great Bear Petroleum. Acquisition of 1,170km^2 of new 3D seismic was completed in May 2016 and provides 3D seismic coverage across the entire acreage position.

Preparations are underway for the commencement of a multi-well campaign in early 2017 to test the prospectivity of a number of conventional play types, this will include determining potential flow rates achievable from these reservoirs.

Philippines

Otto undertook the drilling of the Hawkeye-1 exploration well in Service Contract 55 ("SC55") in August 2015, delivering the well on time and under budget. Despite encountering excellent quality reservoir sands, the volume of gas discovered in the Hawkeye-1 well was below a level that would be economic to develop.

Otto will not continue with further activity in SC55 and will assign its working interest to the remaining joint venture partners. This ends a period of over ten years of activity in the Philippines including the very successful Galoc field development and sale in FY2015.

Throughout the year, Otto actively assessed a great many new venture and business development opportunities. Otto continues to seek new opportunities that provide access to low risk, mature hydrocarbon basins with available development infrastructure. Otto's objective is to build a sustainable cashflow generating base in North America from which to expose shareholders to high impact exploration and development opportunities.

CORPORATE

Otto's balance sheet has remained strong with a closing cash position of US$20.3 million and no debt at year end. Otto's cash position means Otto is well placed to fund its high impact forward exploration and development programs.

Thank you once again for your ongoing support of Otto Energy, I look forward to reporting upon a similarly successful year in FY2017.

Matthew Allen
Managing Director

COMPANY OVERVIEW

Following the sale of the Galoc Oil Field in the Philippines, Otto Energy has transitioned to a company with a balanced portfolio of high-quality exploration, appraisal and development assets in North America and an exploration asset in Tanzania.

NORTH AMERICA

In August 2015 acquired the interests of Borealis Petroleum Pty Ltd on the Alaska North Slope

Completed acquisition of 1,170km^2 of new 3D seismic data within Alaska North Slope license area. Prospect and lead inventory now being matured for 2017 drilling

Signed a participation agreement with Byron Energy Limited allowing access to up to four low-risk drilling opportunities on the Louisiana Gulf of Mexico shelf and onshore areas

Drilled exploration wells in leases offshore Louisiana SM-6 and SM-71 resulting in a significant oil discovery in the latter

Commencement of development planning for the SM-71 oil discovery

TANZANIA

Planning is underway for Kito-1 exploration well.

PHILIPPINES

Drilled the deepwater Hawkeye-1 exploration well in licence SC55. Operations completed safely and below budget

Withdrawal from legacy Philippines acreage SC55 and SC51 having met all work commitments

ASSET OVERVIEW

NORTH AMERICA

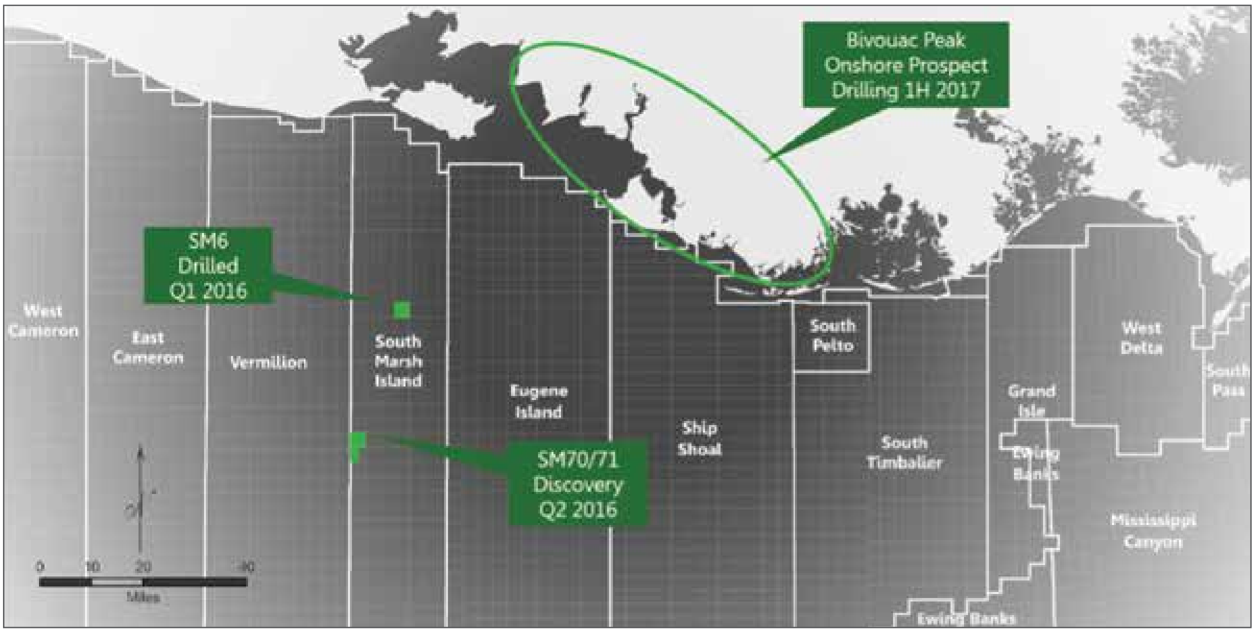
GULF OF MEXICO

In December 2015, Otto entered into an agreement with Byron Energy giving it rights to elect to participate in up to four drilling opportunities in the Louisiana onshore and shallow water offshore continental shelf area. To date, two of these opportunities have been drilled, leading to a discovery and the booking of reserves.

The Gulf of Mexico (GOM) region is one of the most prolific oil and gas producing regions on earth. Commercial extraction of petroleum resources dates from the early decades of the 1900s, with first offshore production commencing in 1938. Today, the federally-administered GOM Outer Continental Shelf alone accounts for about a fifth of all crude oil produced in the USA.

Geologically there exists a key combination of a thick layer of evaporites (salt), rich biological deposits (which, when subjected to the right conditions, forms light producible oil and gas), and thick sand layers. Near the northern gulf margin in particular, a delta created by the Mississippi River has been building for tens of millions of years. These deltaic sand grains are well sorted and round in shape, forming the ideal high-porosity rock for a petroleum reservoir. The buoyancy and flowing effect of the underlying salt creates the structures and traps necessary for the natural collection of oil.

Today, about half of the USA's fossil fuel refining and processing capacity is along the GOM. The high density and availability of production platforms post the development of primary reservoirs contributes to low production costs in this region, making projects viable even in a sustained, low oil price environment. Louisiana and the nearby shelf region are characterized by a ready market and low sovereign risk. These factors, in combination with low-risk drilling updip of previously productive sand intervals, have led Otto to make the northern Gulf of Mexico region a substantial focus of its forward strategy.



NORTH AMERICA GULF OF MEXICO

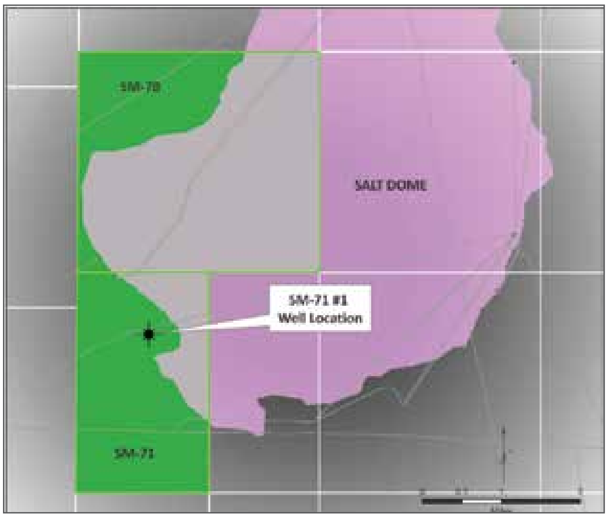
SM-70/71

OWNERSHIP	Otto Energy 50%. Earned via staged farm-in with Byron Energy Limited (Operator)
STATUS	Appraisal and Development
LOCATION	Offshore Gulf of Mexico
AREA	34.29 km^2

Following the drilling of SM-6 #2, Otto exercised its option to participate in the drilling of one well in SM-71. SM-71 lies 48 kilometres (30 miles) southwest of SM-6 in a water depth of 131 feet. While the SM-6 #2 and the SM-71 #1 wells both targeted salt dome-related features which have seen prolific oil and gas production, they are geologically and geographically distinct.

The SM-71 #1 well spudded on 3 April 2016. Through the drilling of this well, Otto Energy has earned a 50% participating interest (equal to a 40.625% revenue interest) in both the SM-70/71 licences.

SM-71 #1 intersected four separate hydrocarbon bearing sand intervals with a combined gross sand thickness of 151 feet (46 metres).



SM-70/71 block map and salt dome

The following hydrocarbon intervals were observed and evaluated:

(i) I3 Sand – a hydrocarbon saturated gross sand thickness of approximately 17 feet (5 metres)

(ii) J sand – a hydrocarbon saturated gross sand thickness of approximately 24 feet (7 metres)

(iii) D5 sand – a hydrocarbon saturated gross sand thickness of approximately 91 feet (28 metres)

(iv) D6 sand – a hydrocarbon saturated gross sand thickness of approximately 19 feet (6 metres)

The primary target D5 Sand exhibits excellent quality and was within the range of predrill expectations. The results of drilling the SM-71 well confirm the advantage of the RTM technology used to delineate the prospect. The J Sand, which was a secondary target, was found within predrill expectations and was intersected 220 feet (67 metres) up-dip of the highest productive well in the J Sand interval. The I3 Sand, which was not included in the predrill estimates, will enhance the project economics. The I3 sand interval does not appear to have been produced in offset wells. Isotube analysis confirms the likely presence of light, sweet crude in all these three intervals. The D6 sand was discovered after the deepening of the well and comprises a very high porosity gas or gas condensate reservoir.

The results from these four discrete hydrocarbon intervals are considered of sufficient commercial value to warrant the completion and ultimate production of the well. The well has been cased and mudline suspended in preparation for future production. The joint venture will now move forward with development planning and has already initiated discussions with an offset operator to cost effectively produce the hydrocarbons from this well.

Post the period, an independent reserves estimate was prepared by Collarini Associates ascribing 2P reserves of 2,271 Mboe (net to Otto).

BIVOUAC PEAK

OWNERSHIP	Otto Energy 45%[1]. Earning via staged farm-in with Byron Energy Limited (Operator)
STATUS	Exploration
LOCATION	Onshore Gulf of Mexico
AREA	10km^2

[1] subject to Otto participating in one exploration well

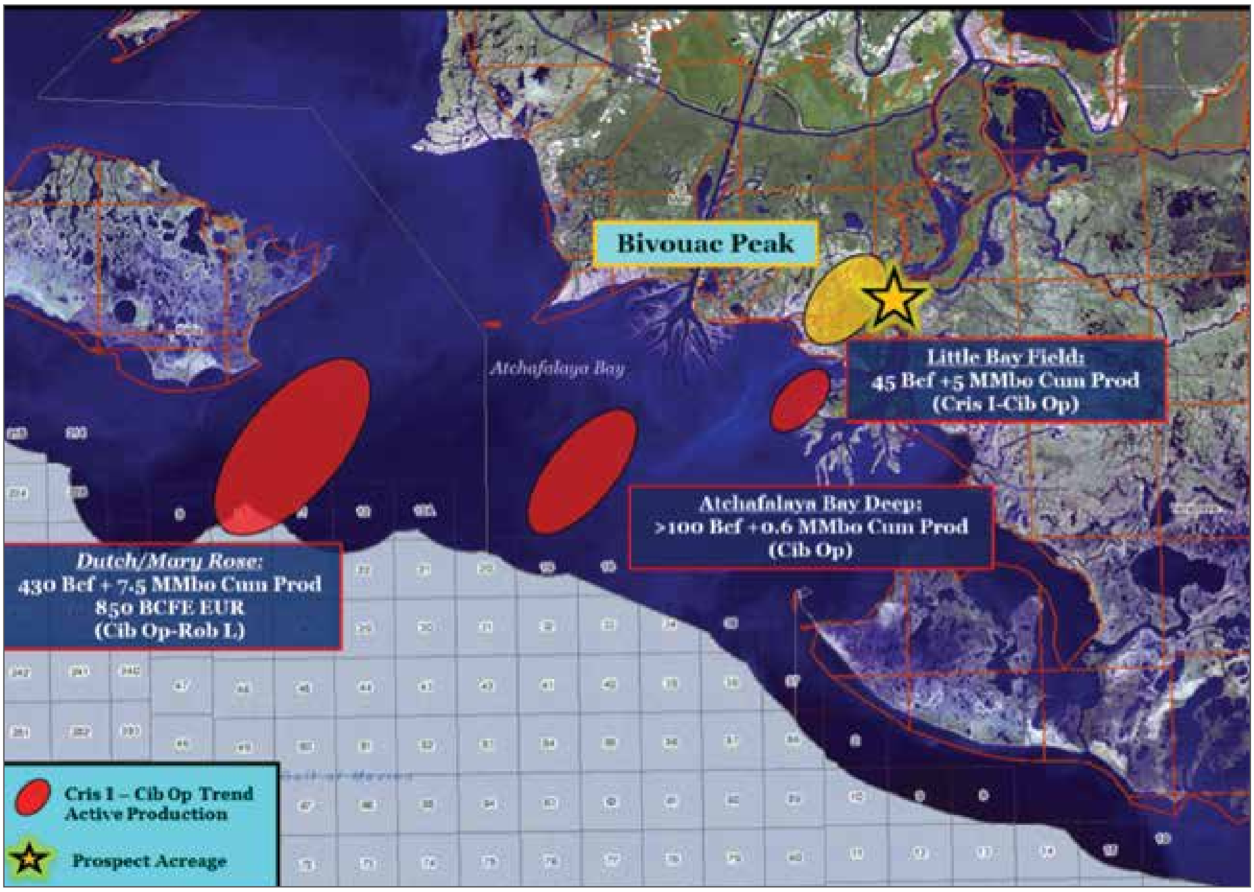
Post the successful drilling of the SM-71 #1 exploration well, Otto exercised its option under the staged farm-in with Byron Energy to acquire a 45% working interest in the Bivouac Peak lease.

The Bivouac Peak lease covers approximately 2,500 acres of highly prospective acreage in the transitional zone onshore southern Louisiana. Multiple prospects at both the Middle and Lower Miocene levels demonstrating stacked amplitude and AVO (amplitude versus offset) support have been identified by Operator, Byron Energy. Follow-up drilling options have been identified at the Lower Miocene level that could increase the scale of the overall opportunity.

Significant production exists in the adjacent Miocene sequence at the Little Bay field (>45 Bcf gas and 5 MMbbls condensate) and the Atchafalaya Bay field (>100 Bcf gas and 0.6 MMbbls condensate).

An independent resource estimate for Bivouac Peak was prepared by Collarini Associates, which assigned a Prospective Resource net to Otto's proposed 45% working interest (33.525% net revenue interest) of 5,361 MMbbls of oil and 59,562 Bcf of gas.

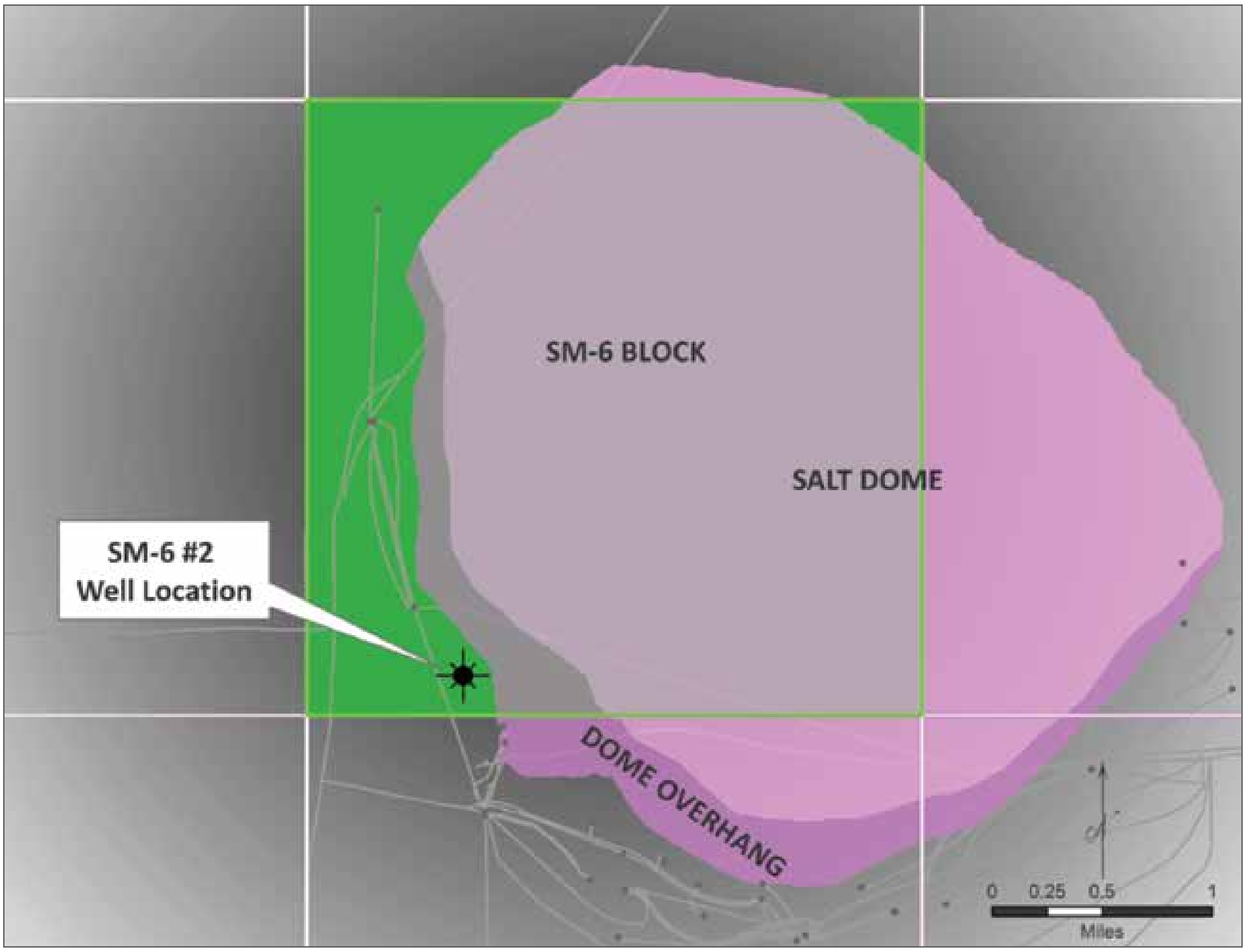
Additional geological and geophysical work will be undertaken by the joint venture prior to drilling of the first well, which is presently targeted for 1H 2017. With nearby production infrastructure already in place, any successful well at Bivouac Peak would be capable of being brought into production within 6-12 months.



NORTH AMERICA GULF OF MEXICO

SM-6

OWNERSHIP	Otto Energy participated in one well-in via staged farm-in with Byron Energy Limited (Operator)
STATUS	Exploration
LOCATION	Offshore Gulf of Mexico
AREA	20.23km^2



SM-6 block map and salt dome

South Marsh Island block 6 (SM-6) lies 60 kilometers (37 miles) south of the Louisiana coast under approximately 65 feet of water. This block has produced a total of 18 MMbbls of light oil and 36 Bcf of gas since 1964.

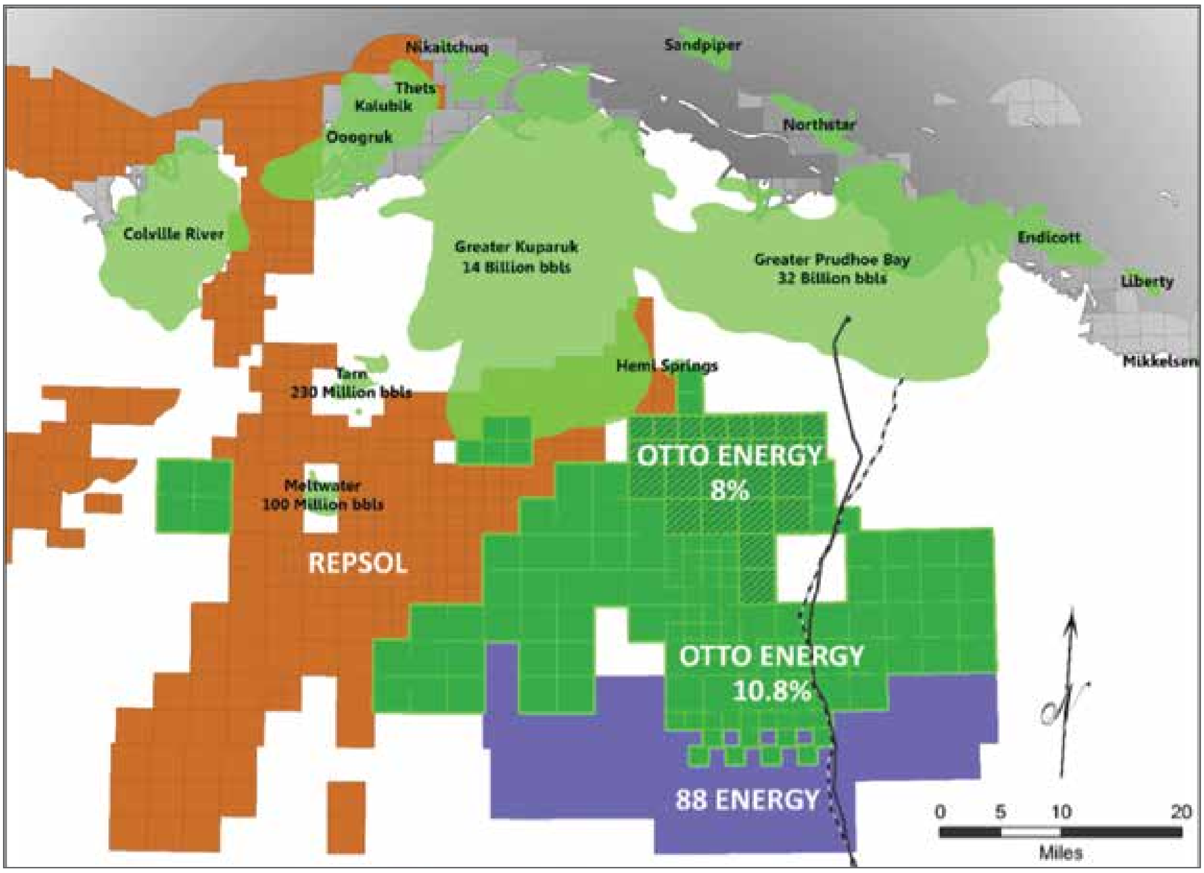
The SM-6 #2 well was drilled in Q1 2016 to a measured depth of 8,084 feet (2,464 metres) and after intersecting and becoming stuck in what appeared to be an impenetrable shale interval, was plugged and abandoned. Unsuccessful attempts were made to free the stuck drill pipe in the initial well bore and a resulting bypass (side-track) operation also became stuck. After an extensive review of both stuck drill pipe incidents, it was the conclusion of Otto and Byron that the well could not be deepened to the primary target interval. Subsequently, Otto and Byron have decided not to re-enter the well as the activity is deemed too high risk.

As the well did not reach the primary target interval Otto did not earn an interest in the lease, and was not obligated to pay back-costs in the lease.

SM-6 #2 was drilled at a cost close to the gross pre-drill estimate of US$8.0m despite the need for a side-track operation.

NORTH AMERICA
ALASKA

OWNERSHIP	Otto Energy 8-10.8%
STATUS	Exploration/Appraisal
LOCATION	Onshore Alaska North Slope
AREA	2,387km^2



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 Alaska North Slope held by Great Bear Petroleum Operating LLC ("Great Bear").

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

NORTH AMERICA ALASKA

ALASKA 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 Alaska North Slope has the potential to hold 40 billion barrels of conventional oil and over 200 trillion cubic feet of conventional gas. While Otto and its partners' focus will initially 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 Alaska 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, and similar opportunities at this play level have already been identified in the Great Bear Alaska North Slope acreage. The Repsol well discovered several distinct oil accumulations and encountered a 650 foot oil column with 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. Third-party reserves of 497-1438-3758 MMbbls (Proven-Probable-Possible) have been indicated. The three-pad development is expected to deliver in the order of 120,000 barrels of oil per day.

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

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 1.5MMbopd spare capacity.

Alaska's geographical location provides safe and effective shipping routes for crude exports into the Asian markets, allowing Alaska projects to provide a strategic long-term petroleum reserve for the Asian region.

GREAT BEAR PETROLEUM 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 Alaska 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 579,374 gross acres. Great Bear has undertaken significant exploration work on the acreage since 2011 with a cumulative spend of around US$240 million. This work includes the acquisition and processing of approximately 3,100km^2 of 3D seismic data, and past work included the drilling of two unconventional test wells which cored three 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.

The almost acreage wide, 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 2017 northern winter drilling season.

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.

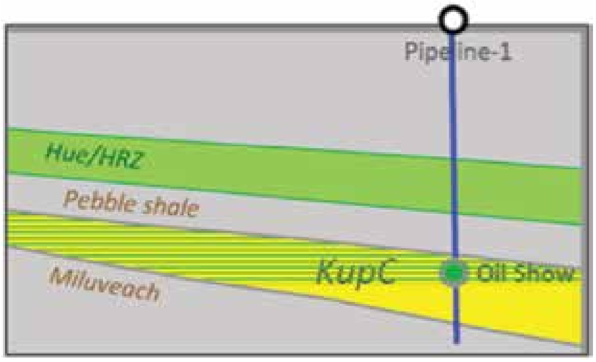
- The Brookian turbidite fans are productive at offset Tarn, Meltwater and Tabasco Fields (field sizes of around 100 MMbbls to 300 MMbbls oil in place).
- The Ivishak formation is the primary producing reservoir at the Prudhoe Bay Field (25 billion barrels of oil in place).
- The Kuparuk sand play is 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 Alaska 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 Alaska North Slope is rated by the USGS as potentially being one of the last remaining material oil shale plays in the US. The Alaska North Slope contains three world class source rocks - Shublik, Kingak and Hue/HRZ shales. All three of these source rocks exist 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.

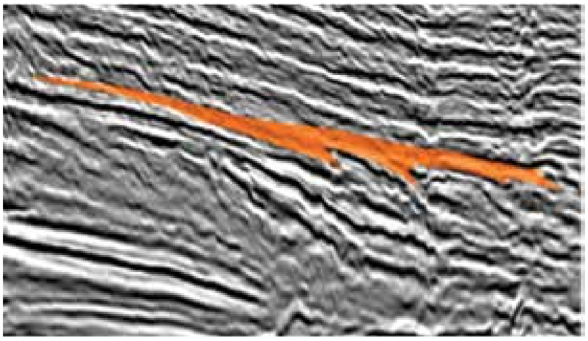
A number of conventional and unconventional plays were identified for progression into potential drill targets:



Kuparuk C

Conventional Play

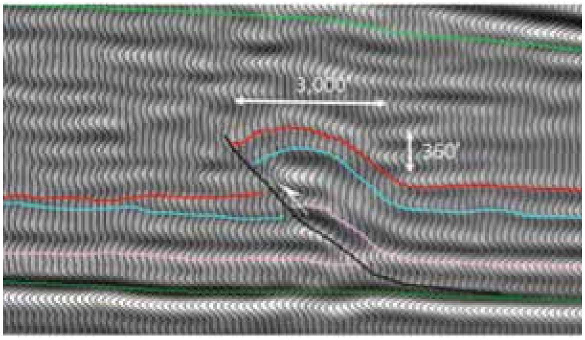
Recent 3D seismic reveals large trap potential. Light oil has been intersected in 45' thick Kuparuk C sands on Otto Energy acreage at Pipeline-1. Sand thickness variations observed in regional wells together with seismic isopach data strongly suggests the presence of a large oil-filled stratigraphic trap.



K10

Conventional Play

Local thickening of sands offers potential for previously unrecognized reservoir. Centred within the acreage & proximal to Trans-Alaska Pipeline System.

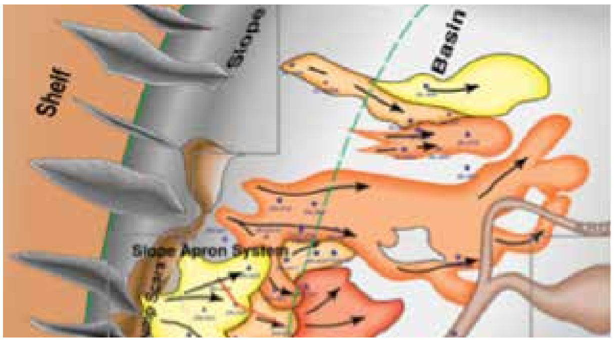


Toe Thrust Anticline

Conventional Play

Well-imaged Anticlinal Toe Thrust. Extends across broad area. Optimal location to receive oil charge from mature Hue Shale kitchen to south east. Common successful trap style.

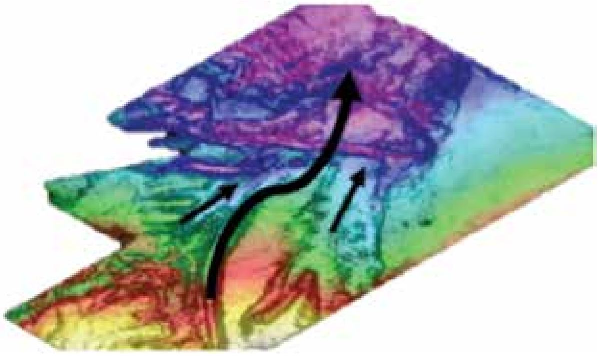
NORTH AMERICA ALASKA



Brookian Slope Apron

Conventional Play

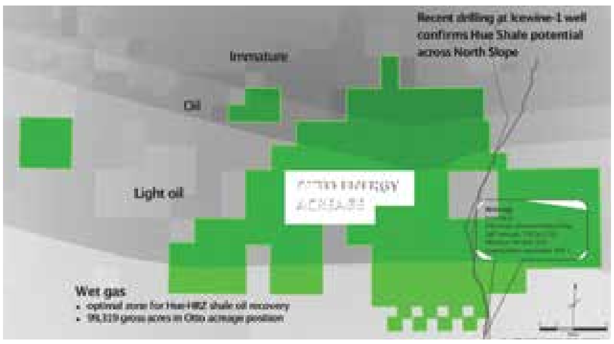
Western acreage on trend with Bermuda sand reservoir fairway. Play type already in production at the Tarn and Meltwater fields. New 3D seismic targeted to mature this play style.



Basin Floor Fan

Conventional Play

Geological setting and basin geometry suggest that large basin floor fans may be present in eastern part of acreage. New 3D seismic targeted to mature this play type.



Hue-HRZ Shale

Unconventional Play

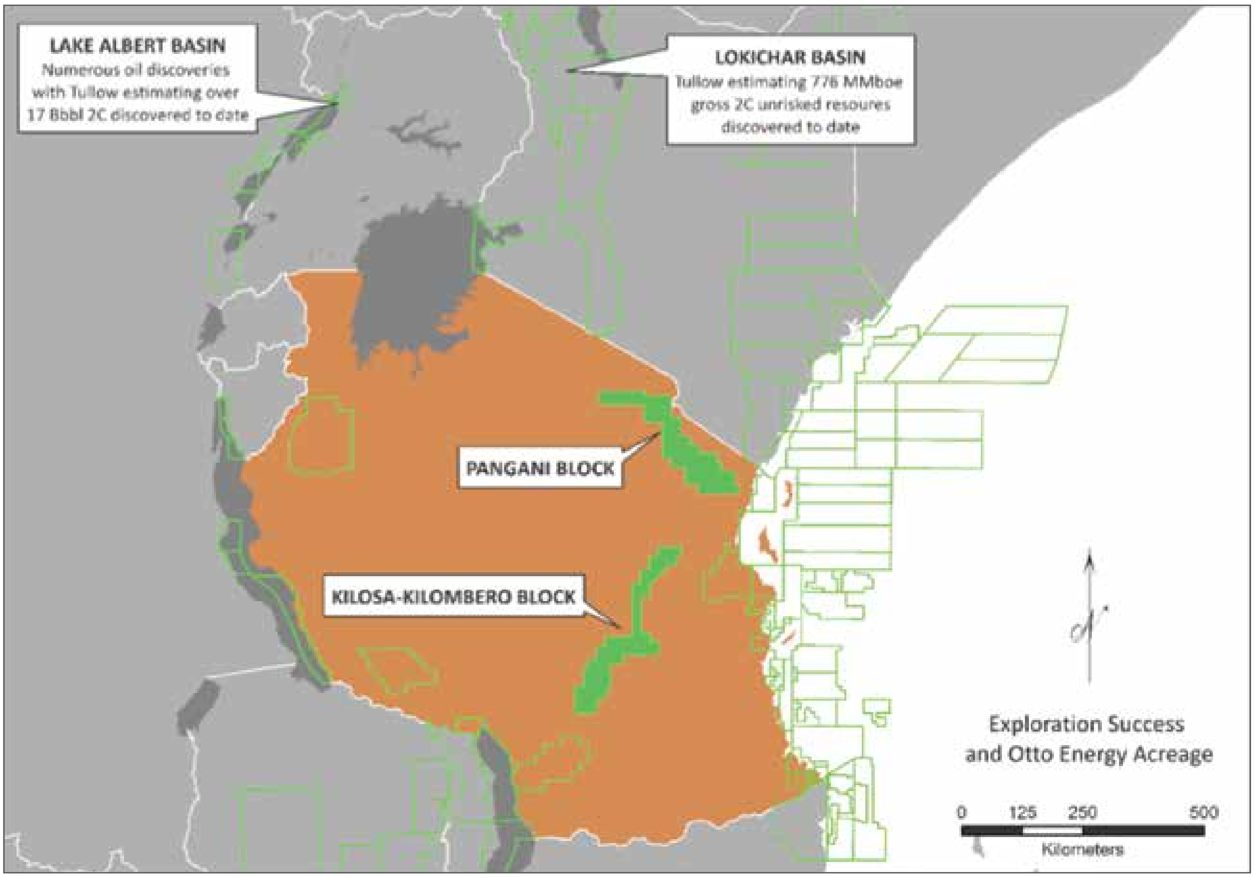
Otto Energy acreage contains a significant proportion of the wet gas - mature Hue-HRZ fairway, the optimal region for this shale. The Hue-HRZ shale target can be reached with relatively shallow ~8,000' wells from Otto Energy acreage.

TANZANIA

OWNERSHIP	Otto Energy 50% of Pangani and Kilosa-Kilombero
STATUS	Exploration
LOCATION	Onshore, Tanzania
AREA	~34,000km^2

OVERVIEW

The Production Sharing Agreements (PSA) were awarded by the Government of the United Republic of Tanzania on 20 February 2012, with the Kilosa-Kilombero and Pangani licence areas covering a gross area of almost 34,000km^2.



TANZANIA

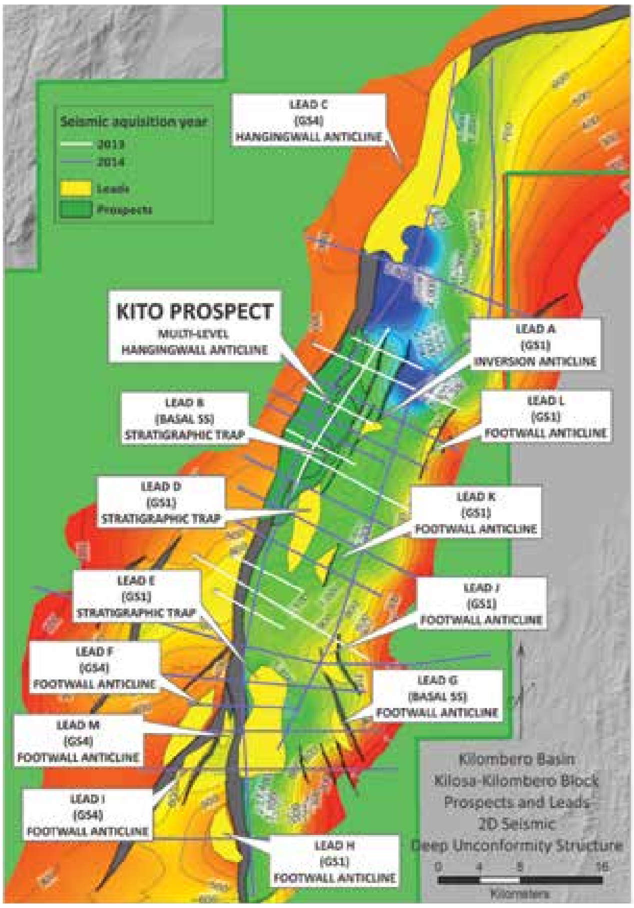
KILOSA-KILOMBERO PSA

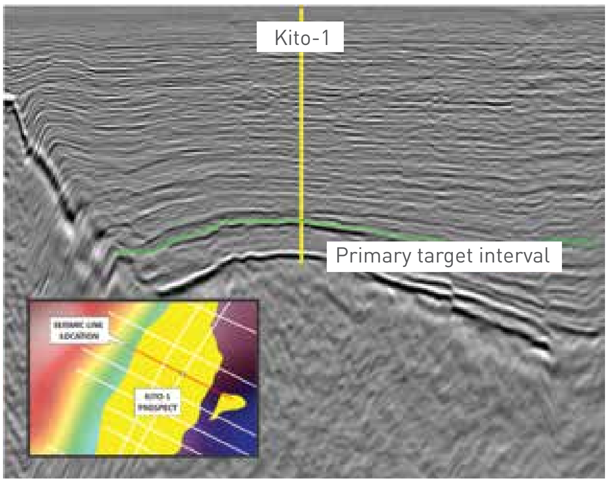
OWNERSHIP	Otto Energy 50%
STATUS	Exploration
LOCATION	Onshore East Africa
AREA	17,675km^2

The joint venture has acquired in excess of 500km 2D seismic over the 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 30 MMbbls and 274 MMbbls net to Otto, with a best estimate of 97 MMbbls.

More recently, Otto has issued dispute notices to the Operator, Swala Oil and Gas (Tanzania) Plc (SOGTP) in respect of issues under the relevant joint operating agreement. Otto continues to discuss these matters with SOGTP and local authorities to ascertain the best way forward. Whilst Otto remains committed to the drilling of the Kito-1 well, the company believes it is unlikely that the joint venture will be able to progress the drilling of the well in 2016 until the joint venture disputes are resolved.





Seismic Line 2013-014, showing Kito structure and planned well path

TANZANIA

PANGANI PSA

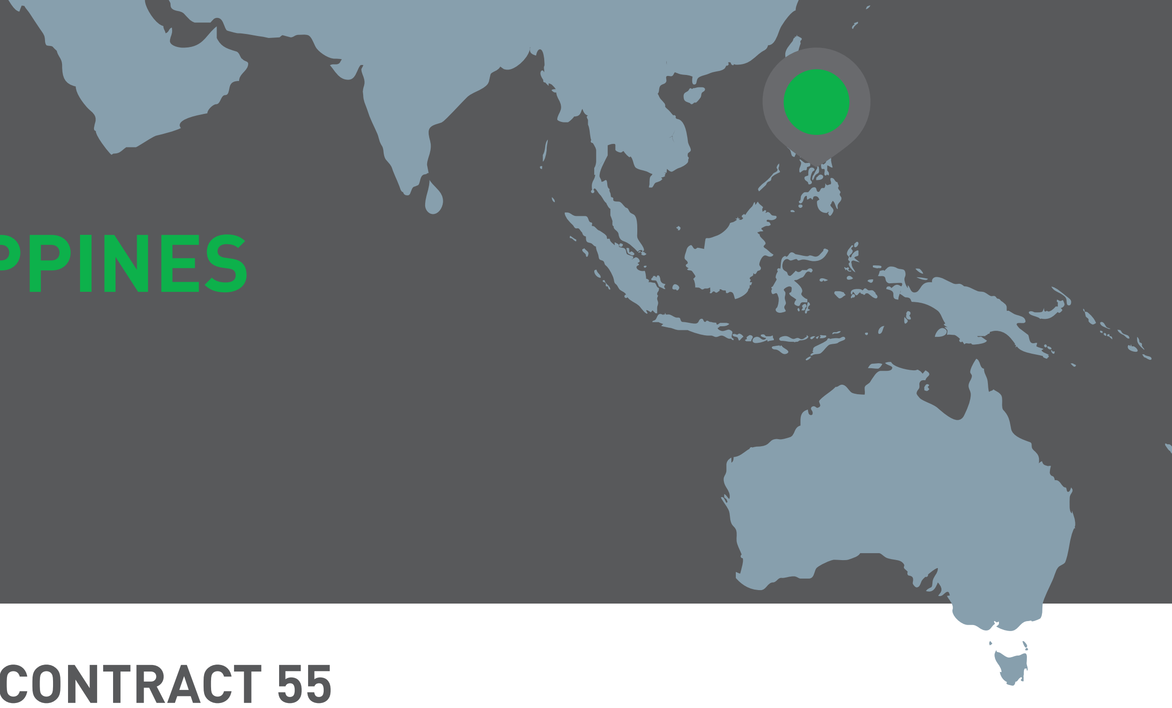
OWNERSHIP	Otto Energy 50%
STATUS	Exploration
LOCATION	Onshore East Africa
AREA	17,156km^2

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 contain sedimentary fill of probable Neogene age. Results also indicate that the Mvungwe basin, located in the south of the licence area, is less than 1,000m deep and is unlikely to be prospective for petroleum due to its shallow nature.

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. This data once interpreted indicated that due to significant regional dip of strata no viable prospect for drilling could be developed.

On this basis the joint venture has sought to withdraw from the block without conducting further work. The regulator is processing this request and final Government agreement to terminate the PSA is expected to be imminent.



PHILIPPINES

SERVICE CONTRACT 55

OWNERSHIP	Otto Energy 68.18% and Operator
STATUS	Exploration
LOCATION	Offshore - Palawan Basin, Philippines
AREA	9,880km^2

Otto has received approval from the Philippines Department of Energy for a two-year moratorium until 23 December 2017 on required work activity under Service Contract 55. The joint venture will undertake a specialised geophysical study in the interim period to determine if further drilling activity is warranted in SC55.

Otto undertook the drilling of the Hawkeye-1 exploration well in 2015, delivering the well on time and under budget. The volume of gas discovered in the Hawkeye-1 well was below a level that would be economic to develop.

Otto has indicated to the remaining joint venture partners that it will not continue with further activity in SC55 and will assign its working interest to the remaining joint venture partners. Documentation to give effect to this assignment is being finalised.

RESERVES STATEMENT

RESERVES STATEMENT

Reserves and Prospective Resources as at 30 June 2016

30 June 2016	Oil (Mbbls)	Gas (MMscf)	Mboe (6:1)
SM-71 Undeveloped, Net to Otto			
Proved (1P)	582	404	649
Probably Reserves	1,445	1,058	1,621
Proved and Probable (2P)	**2,027**	**1,462**	**2,271**
Possible Reserves	540	373	602
Proved, Probable and Possible (3P)	**2,567**	**1,835**	**2,873**
Best Prospective Resource (Best Estimate, Unrisked)	**2,043**	**1,990**	**2,375**
Tanzania Undeveloped, Net to Otto			
Kilosa-Kilombero Total Prospective Resource (Best Estimate, Unrisked)*	97	-	97

Reserves and Prospective Resources Reconciliation

	Oil (Mbbl)					Gas (MMs cf)				
	30 Jun 2015	Production	Farm-in	Revisions	30 June 2016	30 Jun 2015	Production	Farm-in	Revisions	30 June 2016
SM-71 (undeveloped) Net to Otto										
Proved 1P	-	-	249	333	582	-	-	135	269	404
Probable Reserves	-	-	94	1,351	1,445	-	-	51	1,007	1,058
Proved and Probable (2P)	-	-	343	1,684	2,027	-	-	186	1,276	1,462
Possible Reserves	-	-	177	363	540	-	-	138	235	373
Proved, Probable and Possible (3P)	-	-	520	2,047	2,567	-	-	324	1,511	1,835
Total Prospective Resource (Best Estimate, Unrisked)	-	-	2,277	(234)	2,043	-	-	1,680	310	1,990
Tanzania (undeveloped) Net to Otto										
Kilosa-Kilombero Total Prospective Resource (Best Estimate, Unrisked)*	76	-	-	21	97	-	-	-	-	-

*Pre government back-in rights

COMPETENT PERSONS STATEMENT

The information in this report that relates to oil and gas resources in relation to Alaska was compiled by technical employees of Great Bear Petroleum, the Operator of the Alaska acreage, and subsequently reviewed by Mr Paul Senycia 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 Senycia 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). The resources included in this report have been prepared using definitions and guidelines consistent with the 2007 Society of Petroleum Engineers (SPE)/World Petroleum Council (WPC)/ American Association of Petroleum Geologists (AAPG)/Society of Petroleum Evaluation Engineers (SPEE) Petroleum Resources Management System (PRMS). The resources information included in this report are based on, and fairly represents, information and supporting documentation reviewed by Mr Senycia. Mr Senycia is qualified in accordance with the requirements of ASX Listing Rule 5.41 and consents to the inclusion of the information in this report of the matters based on this information in the form and context in which it appears.

The resource information in this report in relation to Tanzania is based on information compiled by Mr Paul Senycia 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 Senycia 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). Prospective resource estimates relevant to Tanzania are prepared as at 10 May 2016 (reference: ASX announcement 10 May 2016). These resource estimates have been prepared using the internationally recognised Petroleum Resources Management System to define resource classification and volumes. Otto is not aware of any new information or data that materially affects the assumptions and technical parameters underpinning the estimates and resources and the relevant market announcement continues to apply and has not materially changes.

The reserve and contingent resource information in this report in relation to SMI70/71 is based on information compiled by technical employees of independent consultants Collarini and Associates, under the supervision of Mr Mitch Reece BSc PE. Mr Reece is the President of Collarini and Associates and is a registered professional engineer in the State of Texas and a member of the Society of Petroleum Evaluation Engineers (SPEE), Society of Petroleum Engineers (SPE), and American Petroleum Institute (API). The reserves and resources included in this report have been prepared using definitions and guidelines consistent with the 2007 Society of Petroleum Engineers (SPE)/World Petroleum Council (WPC)/American Association of Petroleum Geologists (AAPG)/Society of Petroleum Evaluation Engineers (SPEE) Petroleum Resources Management System (PRMS). The reserves and resources information reported in this Statement are based on, and fairly represents, information and supporting documentation prepared by, or under the supervision of, Mr Reece. Mr Reece is qualified in accordance with the requirements of ASX Listing Rule 5.41 and consents to the inclusion of the information in this report of the matters based on this information in the form and context in which it appears.

The reserve and contingent resource information in this report in relation to Bivouac Peak is based on information compiled by Mr William Sack (BSc. Earth Sci./Physics, MSc. Geology, MBA), an Executive Director of Byron Energy Limited. Mr William Sack is a member of American Association of Petroleum Geologists. The reserves and resources included in this report have been prepared using definitions and guidelines consistent with the 2007 Society of Petroleum Engineers (SPE)/World Petroleum Council (WPC)/American Association of Petroleum Geologists (AAPG)/Society of Petroleum Evaluation Engineers (SPEE) Petroleum Resources Management System (PRMS). The reserves and resources information reported in this release are based on, and fairly represents, information and supporting documentation prepared by, or under the supervision of, Mr Sack. Mr Sack is qualified in accordance with the requirements of ASX Listing Rule 5.41 and consents to the inclusion of the information in this report of the matters based on this information in the form and context in which it appears.

RESERVES AND RESOURCES REPORTING NOTES

i. The reserves and prospective resources information in this document is effective as at 30 June 2016 (Listing Rule (LR) 5.25.1)

ii. The reserves and prospective resources information in this document has been estimated and is classified in accordance with SPEPRMS (Society of Petroleum Engineers Petroleum Resources Management System) (LR 5.25.2)

iii. The reserves and prospective resources information in this document is reported according to the Company's economic interest in each of the reserves and net of royalties (LR 5.25.5)

iv. The reserves and prospective resources information in this document has been estimated and prepared using the deterministic method (LR 5.25.6)

v. All reserves and prospective resources in respect of SM-71 have been discovered and evaluated in the 12 months prior to 30 June 2016 and reflect the impact of the successful drilling of the SM-71 #1 well. (LR 5.39.3)

vi. Otto has controls in place to provide assurance for reserves estimation and reporting, including staff competency, staff accreditation and external reserves evaluations. (LR 5.39.5)

vii. Reserves are as announced to the ASX on 20 July 2016, and Otto is not aware of any new information or data that materially affects the information included in the referred market announcement and all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changes (LR 5.43.2)

viii. Prospective resources are reporting on a best estimate basis (LR 5.28.1)

ix. For prospective resources, the estimated quantities of petroleum that may potentially be recovered by the application of a future development projects(s) related 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 (LR 5.28.2)

x. All of Otto's reserves and prospective resources are located in the shallow water of the Gulf of Mexico, offshore Louisiana and Tanzania; furthermore, all of Otto's reserves are undeveloped as at 30 June 2016.

PROSPECTIVE RESOURCE CAUTIONARY STATEMENT

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

RESERVES CAUTIONARY STATEMENT

Oil and gas reserves and resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates that were valid when originally calculated may alter significantly when new information or techniques become available. Additionally, by their very nature, reserve and resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional drilling and analysis, the estimates are likely to change. This may result in alterations to development and production plans which may, in turn, adversely impact the Company's operations. Reserves estimates and estimates of future net revenues are, by nature, forward looking statements and subject to the same risks as other forward looking estimates.

SUMMARY OF ASSETS

SUMMARY OF ASSETS

Asset	OEL Working Interest	Joint Venture Partners		Notes
The Philippines				
SC55 Service Contract, Southwest Palawan Basin	68.18% (Operator)	Palawan 55 Exploration and Production Century Red Pte Ltd Pryce Gases Inc.	6.82% 15.0% 10.0%	In process of transferring of Otto Energy interest to remaining Joint Venture partners pending.
Tanzania				
Kilosa-Kilombero PSA East Africa Rift System	50%	Swala Oil and Gas (Tanzania) Plc (operator) Tata Petrodyne Ltd	25.0% 25.0%	Permit acquired in February 2012 Current exploration period extended to February 2017
Pangani PSA, East Africa Rift System	50%	Swala Oil and Gas (Tanzania) Plc (operator) Tata Petrodyne Ltd	25.0% 25.0%	Permit acquired in February 2012 Current exploration period extended to February 2017 Withdrawal being processed by regulator
Alaska				
Alaska North Slope	8-10.8%	Great Bear Petroleum Operating LLC (operator) Haliburton Energy Services, Inc	67.0%-89.2% 0.0-25.0%	154 leases covering 2,387km^2 make up the Great Bear Alaska North Slope Acreage Otto entry made in August 2015 Capped contribution to three wells
Louisiana/Gulf of Mexico				
South Marsh Island 70/71, Outer Continental Shelf	50% Earned via staged farm-in with Byron Energy Ltd (Operator)	Byron Energy (operator)	50.0%	Otto participated in successful discovery well, earning entitlement in April 2016
Bivouac Peak, Louisiana Near-shore	45% Earning via staged farm-in with Byron Energy Ltd (Operator)*	Byron Energy (operator) Private Investor	45.0% 10.0%	Option well * Earn in subject to Otto participating in one exploration well.

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CORPORATE DIRECTORY
FOR THE YEAR ENDING 30 JUNE 2016

Directors	Mr John Jetter – Non-Executive Director (appointed Chairman 25 November 2015) Mr Matthew Allen – Managing Director and Chief Executive Officer Mr Ian Macliver – Non-Executive Director Mr Ian Boserio – Non-Executive Director
Company Secretary	Mr Neil Hackett
Key Management Personnel	Mr Matthew Allen – Managing Director and Chief Executive Officer Mr Paul Senycia – Vice President Exploration and New Ventures Mr Craig Hasson – Chief Financial Officer Mr Matthew Worner – Commercial Manager
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

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 2016.

Directors

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

Mr John Jetter (appointed Non-Executive Chairman 25 November 2015)
Mr Rick Crabb (resigned 25 November 2015)
Mr Matthew Allen
Mr Ian Macliver
Mr Ian Boserio
Mr Rufino Bomasang (resigned 25 November 2015)

Directors have been in office from 1 July 2015 until the date of this report unless otherwise stated.

Company Secretary

Neil Hackett

Principal Activities

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

Dividends – Otto Energy Limited

The Directors recommend that no dividend be paid for the year ended 30 June 2016**.** In the previous financial year, Shareholders approved a capital return to shareholders of AUD$0.0564 per share, paid on 26 June 2015. The Board of Director also resolved and paid an unfranked dividend of AU$0.0076 per share on 26 June 2015.

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 Company and Asset overviews, refer to pages 6 to 21.

Financial Summary

The consolidated entity recognised a loss after income tax for the year from continuing operations, of US$20.09m (2015: Gain US$16.40m). The net loss for the financial year ending 30 June 2016 was mainly due to exploration expense of $US41.48m which was partly offset by a funding contribution from BHPB of US$23.7m and an option fee from Pryce Gases Inc for US$2.31m, both in relation to the drilling in SC55 in the Philippines.

Significant changes in state of affairs

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

- The Hawkeye well in SC55 was completed with uneconomical quantities of hydrocarbons discovered, the final well cost was US$23.7 million. As a result of funding contributions from BHPB, Otto was fully carried on the cost of drilling. Prior to drilling, Otto completed a 15% farm out of SC55 to Red Emperor Resources NL and 10% option to Pryce Gases Inc.

- A structured exit is underway for the Philippines and Otto has indicated to the remaining joint venture partners that it will not continue with further activity in SC55 and will assign its working interest to the remaining joint venture partners. Documentation to give effect to this assignment is being finalised. On 17 June 2016, the Philippines Department of Energy granted a two-year moratorium over SC55 until 23 December 2017.

- On 21 July 2015, Otto acquired 100% of the issued capital of Borealis Petroleum Pty Ltd for the right to earn an interest in a substantial acreage position on the highly prospective, oil prone, onshore Alaskan North Slope held by Great Bear Petroleum Operating. Through its agreements with Great Bear, Otto Acquired 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.

- On 11 December 2015, Otto entered into a staged farm-in for interests in a multi-well portfolio onshore Louisiana and Offshore Gulf of Mexico agreement with Byron Energy Limited (Bryon). Two wells have been drilled in the 1st and 2nd quarter of 2016.
- During the 1st Quarter of 2016, the SM-6 #2 well located at the South Marsh Island Block 6 was drilled, this appraisal well was plugged and abandoned prior to reaching the primary target due to intersecting an impenetrable shale interval. Otto and Bryon have decided not to attempt to re-enter the SM-6 #2 well and complete drilling down to the G20 target interval as the activity is deemed high risk. The well will be plugged and abandoned.
- During the 2nd Quarter of 2016, the SM-71 #1 well was successfully drilled to final target measured depth at 6,843 feet/2086 metres. Hydrocarbon saturated sands intersected in four intervals, including the primary D5 target, with Net 2P reserves of 2,271 Mboe being recognised for Otto's Gulf of Mexico portfolio (see independent reserves result in page 22-25).
- In June 2016, Otto successfully executed a farm down agreement for a 25% participating interest in the upcoming Kito-1 well in the onshore Kilosa-Kilombero licence to MV Upstream Tanzania Limited. The agreement is subject to completion terms.
- On 24 June 2016, Otto exercised its option under the stage farm-in with Operator, Byron Energy Limited to acquire an entitlement to a 45% working interest in Bivouac Peak lease by drilling 1 exploration well.

Matters subsequent to the end of the Financial Year

Otto Energy (Tanzania) Pty Ltd, a 100% owned subsidiary of Otto, has issued various dispute notices to Swala Oil and Gas (Tanzania) plc (SOGTP), pursuant to the Pangani and Kilosa-Kilombero Joint Operating Agreements. The drilling of the Kito-1 exploration well is unlikely to progress in 2016 due to unresolved joint venture disputes and delays in required permits. The farm down to MV Upstream is also likely to be affected by a delay in drilling past 2016.

No other matters or circumstances have arisen since 30 June 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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:

- Development of SM71-1 well and tie back to nearby existing production platform;
- Progress planning for anticipated drilling in Tanzania;
- Participate in a 2-4 well drilling program in Alaska in 2017; and
- Drilling of the first well at Bivouac Peak is expected to occur in 1H 2017.

Additional comments on expected results of certain operations of the group are included in the Company and Asset overviews on pages 6 to 21.

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.

Information on Directors and Key Management Personnel

Mr John Jetter BLaw, BEcon, INSEAD. Chairman (Non-Executive)	
Date appointed	Non-Executive Director 10 December 2007, Non-Executive Chairman 25 November 2015
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 Rick Crabb BJuris (Hons), LLB, MBA, FAICD, Chairman (Non-Executive)	
Date appointed	19 November 2004
Date Resigned	25 November 2015
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, and Paladin Energy Limited from 8 February 1994.
Former directorships in last 3 years	Platypus Minerals Limited (formerly Ashburton Minerals Limited) from 1 September 1999 to November 2015
Special responsibilities	Audit and Compliance Remuneration and Nomination Committee
Interest in shares and options	12,925,905 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.
Other current directorships	None
Former directorships in last 3 years	None
Interest in shares and options	3,643,000 ordinary shares in Otto Energy Limited and performance rights of 4,700,000.

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.

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
Date resigned	25 November 2016
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	1,600,000 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	2,900,000 Performance rights.

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.

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 2016, 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 J Jetter	9	9	-	-	1	1
Mr M Allen	9	9	-	-	-	-
Mr I Macliver	9	9	2	2	1	1
Mr I Boserio	9	9	1	1	-	-
Rick Crabb (resigned)	4	4	1	1	-	-
Rufino Bomasang (resigned)	4	4	-	-	-	-

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 2016 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:

a) attraction and retention of employees and management to pursue the consolidated entity's strategy and goals;

b) delivery of value-adding outcomes for the consolidated entity;

c) fair and reasonable reward for past individual and consolidated entity performance; and

d) 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 2016 were generally the same as for 2015.

Directors and Key Management Personnel disclosed in this report:

Directors

Mr John Jetter	Non-Executive Chairman
Mr Matthew Allen	Managing Director and Chief Executive Officer
Mr Ian Macliver	Non-Executive Director
Mr Ian Boserio	Non-Executive Director
Mr Rick Crabb	Non-Executive Chairman (resigned 25 November 2015)
Mr Rufino Bomasang	Non-Executive Director (resigned 25 November 2015

Key Management Personnel

Mr Paul Senycia	Vice President Exploration and New Ventures
Mr Craig Hasson	Chief Financial Officer
Mr Matthew Worner	Commercial Manager

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 two 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 2016. 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' Fees

The following fees have applied:

	From 1 July 2015 to 30 June 2016	From 1 July 2014 to 30 June 2015
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) [(i)]	US$ 30,000	US$ 72,000
Additional fees		
Audit Committee	A$ 10,000	A$ 10,000
Director of Otto Energy Investments Limited	US $22,000	US $24,000
Director of Otto Energy Philippines Inc.	US $22,000	US $24,000

[(i)] *Mr R Bomasang resigned as Non-Executive Director of Otto Energy Limited on 25 November 2015*

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 2016 is summarised below.

The remuneration structure in place for 2015/2016 applies to all employees including Key Management Personnel and staff members of the consolidated entity. The consolidated entity's remuneration structure has three elements:

a) Fixed annual remuneration or base salary (FAR) (including superannuation);

b) Short term incentive (STI) award which provides a reward for performance in the past year; and

c) 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 2016 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.

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 approximately 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 2016 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. The Committee has the discretion to adjust short-term incentives downwards or upwards in light of unexpected or unintended circumstances. During the year, all KPI's were fully met other than Total Shareholder Return, however, the Board in exercising its discretion and having regard to all achievements reached in calendar year 2015 (STI was awarded in December 2015), including successful completion of the Galoc sale, capital return and dividend to shareholders, successful farm down of the Hawkeye well, successful execution of Hawkeye exploration well and the recovery of funds from BHPB, the full amount target STI was awarded.

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:

i) The Board's determined cap on the total number of performance rights which are issued as LTI awards in a given year; and
ii) 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 2015 Annual General Meeting

Otto Energy Limited received more than 98% of "yes" votes on its remuneration report for the 2015 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 Corporates Act requires disclosure of the Company's remuneration policy to contain a discussion of the Company's earnings and performance and the effect of the Company's performance on shareholder wealth in the reporting period and the four previous financial years. The table below provides a five year financial summary.

	30 June 2012 US$'000	30 June 2013 US$'000	30 June 2014 US$'000	30 June 2015 US$'000	30 June 2016 US$'000
Revenue and Other Income*	33,996	64,387	8,197	1,357	27,093
Net profit/(loss) before tax from continuing operations*	15,534	11,559	(16,808)	(16,389)	(20,084)
Net profit/(loss) after tax	14,878	745	13,295	16,404	(20,086)
Basic earnings per share (US cents)	1.31	0.07	1.16	1.42	(1.70)
Diluted earnings per share (US cents)	1.25	0.07	1.16	1.41	(1.70)

* For the periods prior to and up to 30 June 2013, amounts relating to Galoc Production Company are included in Revenue and Other Income and continuing operations. Post 30 June 2013, amounts relating to Galoc Production Company are included in discontinued operations.

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.

		Fixed remuneration				Variable remuneration			Total
	Year	Salary & Fees A$	Annual and long service leave A$	Superannuation A$	Other Benefits A$ [v]	Cash Bonus A$	Option A$	Performance Rights[i] A$	A$
Directors of Otto Energy Limited									
Mr J Jetter [ii]	2016	111,875	-	-	-	-	-	-	111,875
	2015	90,000	-	-	-	-	-	-	90,000
Mr R Crabb[iii]	2016	47,565	-	4,519	-	-	-	-	52,084
	2015	114,155	-	10,845	-	-	-	-	125,000
Mr M Allen	2016	453,241	34,092	30,000	5,263	86,758	-	108,883	718,237
	2015	445,000	5,737	30,000	1,702	100,000	-	79,157	661,596
Mr I Macliver	2016	77,626	-	7,374	-	-	-	-	85,000
	2015	77,626	-	7,374	-	-	-	-	85,000
Mr I Boserio	2016	68,493	-	6,507	-	-	-	-	75,000
	2015	68,493	-	6,507	-	-	-	-	75,000
Mr R Bomasang[iv]	2016	101,545	-	-	-	-	-	-	101,545
	2015	138,517	-	-	-	-	-	-	138,517
Total director remuneration	2016	860,345	34,092	48,400	5,263	86,758	-	108,883	1,143,741
	2015	933,791	5,737	54,726	1,702	100,000	-	79,157	1,175,113
Key Management Personnel									
Mr P Senycia	2016	401,888	20,715	35,000	1,248	86,986	-	108,883	654,720
	2015	441,249	(1,883)	35,000	1,702	-	-	79,157	555,225
Mr C Hasson	2016	237,523	19,919	27,600	1,557	53,000	-	67,082	406,681
	2015	271,597	691	30,000	1,702	53,000	-	37,216	394,206
Mr M Worner [vi]	2016	325,347	16,651	30,000	1,545	52,077	-	21,997	447,617
	2015	100,513	1,680	9,549	-	-	-	-	111,742
Mr S Blenkinsop	2016	-	-	-	-	-	-	-	-
	2015	242,756	(7,265)	38,781	102,395	80,662	-	-	457,329
Total Key Management remuneration	2016	964,758	57,285	92,600	4,350	192,063	-	197,962	1,509,018
	2015	1,056,115	(6,777)	113,330	105,799	133,662	-	116,373	1,518,502
TOTAL	2016	1,825,103	91,377	141,000	9,613	278,821	-	306,845	2,652,759
	2015	1,989,906	(1,040)	168,056	107,501	233,662	-	195,530	2,693,615

[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 41 to 42 and Note 24

[ii] Mr J Jetter appointed as Non-Executive Chairman on 25 November 2015.

[iii] Mr Rick Crabb resigned as Non-Executive Chairman on 25 November 2015.

[iv] Mr R Bomasang resigned as Non-Executive Director on 25 November 2015.

[v] Car Parking provided by Company.

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

[vii] Mr S Blenkinsop resigned as Company Secretary on 1 April 2015.

The relative proportions of remuneration that are linked to performance and those that are not are as follows:

Name	Fixed and Other %		At risk – STI %		At risk – LTI [(i)] %	
	2016	2015	2016	2015	2016	2015
Directors of Otto Energy Limited						
Mr J Jetter	100%	100%	-	-	-	-
Mr M Allen	73%	73%	12%	15%	15%	12%
Mr I Macliver	100%	100%	-	-	-	-
Mr I Boserio	100%	100%	-	-	-	-
Mr R Crabb *(ii)*	100%	100%	-	-	-	-
Mr R Bomasang *(iii)*	100%	100%	-	-	-	-
Key Management Personnel of the consolidated entity						
Mr P Senycia	70%	86%	13%	-	17%	14%
Mr C Hasson	71%	78%	13%	13%	16%	9%
Mr M Worner	83%	100%	12%	-	5%	-

[(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 Rick Crabb resigned as Non-Executive Chairman on 25 November 2015.
(iii) Mr R Bomasang resigned as Non-Executive Director on 25 November 2015.

Name	Total STI bonus (Cash and deferred shares)			LTI Options	
	Total opportunity $ [(i)]	Awarded %	Forfeited %	Value granted $	Value exercise $
Mr M Allen	86,758	100%	-	-	-
Paul Senycia	86,986	100%	-	-	-
Mr C Hasson	53,000	100%	-	-	-
Mr M Worner	52,077[(ii)]	100%	-	56,000	-

(i) Amounts are exclusive of superannuation and based on contracted FAR at time of bonus payment.
(ii)Mr M Worner was appointed as Commercial Manager on 9 March 2015, bonus has been calculated on pro rata basis for 2015 calendar year.

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.

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 *Managing Director and Chief Executive Officer*	24 June 2015	$475,000	6 months base salary
Mr Paul Senycia *Vice President Exploration Manager and New Ventures*	12 April 2010 - 31 December 2015 1 January 2016	$476,250 $381,000	3 months base salary
Mr Craig Hasson *Chief Financial Officer*	26 February 2014	$304,684 (iii)	3 months base salary
Mr Matthew Worner *Commercial Manager*	9 March 2015	$350,400	1 months base salary

(i) Base salaries quoted are as at 30 June 2016; 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.
(iii) Base salary of Mr Craig Hasson was increased by 5% effective 1 Jan 2016.

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 24. 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 2016 are set out in the following table.

Year ended 30 June 2016 – TSR based performance rights:

Measurement date	1 February 2017	1 February 2018	1 February 2019	1 February 2017	1 February 2018	1 February 2019	1 February 2016	1 February 2017	1 February 2018
Grant date	14 August 2015 (i)	14 August 2015 (i)	14 August 2015 (i)	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 2019	31 December 2019	31 December 2019	31 December 2018	31 December 2018	31 December 2018
Rights on issue	466,667	466,667	466,666	2,000,001	2,000,001	1,999,998	2,100,000	2,100,000	2,100,000
Share price at grant – A$	0.06	0.06	0.06	0.11	0.11	0.11	0.09	0.09	0.09
Expected volatility	65.2%	60.4%	57.8%	47.7%	51.2%	51.2%	51.3%	52.4%	53.2%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Risk free rate	1.96%	1.96%	1.96%	1.95%	1.90%	1.90%	2.60%	2.60%	2.60%
Fair value - $A	0.04	0.04	0.04	0.06	0.07	0.07	0.05	0.05	0.06
Total Value - $A	$18,667	$18,667	$18,667	$120,000	$140,000	$140,000	$105,000	$105,000	$105,000

(i) On 14 August 2015, the Group issued 1,400,000 Performance Rights to Commercial Manager Matthew Worner.

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
Right on issue	2,000,001	2,000,001	1,999,998	2,100,000	2,100,000	2,100,000
Share price at grant – 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

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 2016 is set out below.

2016	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	4,700,000	-	-	-	4,700,000
Mr I Macliver	-	-	-	-	-
Mr I Boserio	-	-	-	-	-
Mr J Jetter	-	-	-	-	-
Mr R Bomasang	-	-	-	-	-
	4,700,000	-	-	-	4,700,000
Key Management Personnel of the consolidated entity					
Mr P Senycia	4,700,000	-	-	-	4,700,000
Mr C Hasson	2,900,000	-	-	-	2,900,000
Mr M Worner	-	1,400,000	-	-	1,400,000
	7,600,000	1,400,000	-	-	9,000,000

Options over Equity Instruments Granted

Options granted to the Directors and Key Management Personnel are granted as remuneration unless otherwise noted. Options are issued under the Option Plan. There were no options relate to Directors and Key Management Personnel during the financial year.

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:

2016	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 J Jetter	16,089,175	-	-	-	16,089,175
Mr M Allen	3,500,000	-	-	143,000	3,643,000
Mr I Macliver	4,549,721	-	-	-	4,549,721
Mr I Boserio	-	-	-	-	-
	24,138,896	-	-	143,000	24,281,896
Key Management Personnel of the consolidated entity					
Mr P Senycia	3,000,000	-	-	(1,400,000)	1,600,000
Mr C Hasson	112,500	-	-	(112,500)	-
Mr M Worner	-	-	-	-	-
	3,112,500	-	-	(1,512,500)	1,600,000

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 (2015: nil).

End of Audited Remuneration Report

Diversity

Proportion of women employees in Otto Energy Limited

	Number	Proportion
Whole organisation	5/9	56%
Senior Executive positions	0/3	0%
Board	0/4	0%

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		6,799,998
23-Apr-15	31-Dec-19		6,475,000
14 Aug 15	31-Dec-19		1,400,000
			14,674,998

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 41 to 42.

Insurance of Officers and Indemnity of Auditors

During the financial year, the Company paid a premium of US$48,806 to insure the Directors and officers of the Company and its 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.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations Legislative Instrument 2016/191, 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.

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:

	2016 US$	2015 US$
BDO Australian firm:		
Other assurance services	198	-
Total remuneration for other assurance services	198	-
Tax compliance services	23,805	29,431
Tax consulting and tax advice services	25,558	105,332
Total remuneration for taxation services	49,363	134,763
Remuneration services	7,048	-
Total remuneration for remuneration services	7,048	-
Total remuneration for non-audit services	56,609	134,763

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 46.

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.

I Macliver

Mr I Macliver

DIRECTOR

19 September 2016

BDO

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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 2016, 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.

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 19 September 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDING 30 JUNE 2016

	Note	2016	2015* (Restated)
		US$'000	US$'000
Revenue and other income	4	27,093	1,357
Profit/(Loss) on disposal of property, plant and equipment		13	(112)
Other expenses from ordinary activities			
Employee benefit expense	5	(2,842)	(4,008)
Depreciation & amortisation	5	(88)	(235)
Exploration expenditure	6	(41,479)	(10,281)
Other expenses	5	(2,751)	(2,209)
Foreign currency losses		(30)	(901)
Loss before income tax		(20,084)	(16,389)
Income tax expense	7	(2)	-
Loss after income tax for the year from continuing operations		(20,086)	(16,389)
Profit after tax for the year from discontinued operations	8	-	32,793
Net (loss)/profit for the year		(20,086)	16,404
Other comprehensive income		-	-
Other comprehensive income for the year net of tax		-	-
Total comprehensive (loss)/profit for the year attributable to ordinary equity holders of Otto Energy Limited		(20,086)	16,404

	Note	2016	2015* (Restated)
		US cents	US cents
Loss per share for loss from continuing operations attributable to the ordinary equity holders of the Company:			
Basic loss per share (US cents)	20	(1.70)	(1.42)
Diluted loss per share (US cents)	20	(1.70)	(1.41)
(Loss)/Earnings per share for (loss)/profit attributable to the ordinary equity holders of the Company:			
Basic (loss)/ earnings per share	20	(1.70)	1.42
Diluted (loss)/ earnings per share	20	(1.70)	1.41

* The 30 June 2015 statement of profit and loss and other comprehensive income has been restated pursuant to the Company's voluntary change in accounting policy for exploration and evaluation expenditure and recognition of assets (Note 1(b)).

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
AS AT 30 JUNE 2016

	Note	2016 US$'000	2015* (Restated) US$'000	2014* (Restated) US$'000
Current Assets				
Cash and cash equivalents	10	20,309	41,206	7,735
Trade and other receivables	11	107	-	18
Other current assets	12	414	701	1,758
Inventories	13	-	2,422	2,941
Total Current Assets		20,830	44,329	12,452
Non-Current Assets				
Other assets	12	-	6	7,955
Property, plant and equipment	14	73	151	496
Oil and gas properties	15	2,717	-	91,460
Total Non-Current Assets		2,790	157	99,911
Total Assets		23,620	44,486	112,363
Current Liabilities				
Trade and other payables	16	722	2,800	4,755
Provisions	17	197	98	2,638
Total Current Liabilities		919	2,898	7,393
Non-Current Liabilities				
Provisions	17	224	68	8,910
Deferred tax liabilities		-	-	13,935
Total Non-Current Liabilities		224	68	22,845
Total Liabilities		1,143	2,966	30,238
NET ASSETS		22,477	41,520	82,125
Equity				
Contributed equity	18	81,895	81,104	131,577
Reserves	19	13,662	13,410	13,145
Accumulated losses		(73,080)	(52,994)	(62,597)
Total Equity		22,477	41,520	82,125

* The 1 July 2014 and 30 June 2015 consolidated statement of financial position has been restated pursuant to the Company's voluntary change in accounting policy for exploration and evaluation expenditure and recognition of assets (Note 1 (b)).

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDING 30 JUNE 2016

	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 2014	131,577	(53,548)	13,145	91,174
Correction in Change of Accounting Policy (note 1(b))*	-	(9,049)	-	(9,049)
Balance restated as at 1 July 2014*	131,577	(62,597)	13,145	82,125
Total comprehensive profit for the year	-	16,404	-	16,404
Total comprehensive profit for the year	-	16,404	-	16,404
Transactions with owners in their capacity as owners				
Share based payment	-	-	265	265
Share capital return (Note 18)	(50,473)	-	-	(50,473)
Cash dividends (Note 9)	-	(6,801)	-	(6,801)
Balance as at 30 June 2015*	81,104	(52,994)	13,410	41,520
Total comprehensive loss for the year				
Loss for the year	-	(20,086)	-	(20,086)
Total comprehensive Loss for the year	-	(20,086)	-	(20,086)
Transactions with owners in their capacity as owners				
Share based payments	-	-	252	252
Shares Issued	791	-	-	791
Balance as at 30 June 2016	81,895	(73,080)	13,662	22,477

* The 1 July 2014 and 30 June 2015 consolidated statement of changes in equity has been restated pursuant to the Company's voluntary change in accounting policy for exploration and evaluation expenditure and recognition of assets (Note 1 (b)).

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 2016

	Note	2016 US$'000	2015* (Restated) US$'000
Cash flows from operating activities			
Funds received from BHPB and Pryce Gases for Hawkeye Well		26,042	-
Receipts from customers		-	45,217
Receipts from recharges to Joint Venture		942	-
Payment to suppliers and employees		(4,554)	(19,352)
Payments for exploration and evaluation expense		(41,150)	(9,590)
Interest received		82	503
Income taxes paid		(2)	(6,354)
Net cash (inflow) / outflow from operating activities	26	(18,640)	10,424
Cash flows from investing activities			
Payments for property, plant and equipment		(6)	(13)
Proceeds from sale of property, plant and equipment		34	10
Payments for Development and evaluation		(2,277)	-
Loan to other entities		-	165
Net proceeds from sale of controlled entities (net of cash disposed)		-	80,400
Net cash (inflow)/outflow from investing activities		(2,249)	80,562
Cash flows from financing activities			
Dividends paid	9	-	(6,832)
Return of capital	18	-	(50,703)
Net cash outflow from financing activities		-	(57,535)
Net (decrease)/increase in cash and cash equivalents		(20,889)	33,451
Cash and cash equivalents at the beginning of the financial year		41,206	7,735
Effects of exchange rate changes on cash		(8)	20
Cash and cash equivalents at end of year	10	20,309	41,206

* The 30 June 2015 consolidated statement of cash flows has been reclassified between operating activities and investing activities pursuant to the Company's voluntary change in accounting policy for exploration and evaluation expenditure and recognition of assets (Note 1 (b)).

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

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 19 September 2016.

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

A number of new or amended standards became applicable for the current reporting period. The adoption of these Accounting standards however, did not have any significant impact on the financial performance or position of the consolidated entity. Any new, revised and amending Accounting Standards or interpretations that are not yet mandatory have not been early adopted.

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.

Reference and Title	Summary	Application date of standard	Impact on Otto Energy Ltd financial statements
AASB 9 - Financial Instruments	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. AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application	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	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 *Revenue*.	Annual reporting periods beginning on or after 1 January 2017	When this standard is first adopted from 1 July 2017, this standard will not significant impact transactions and balances recognised in the financial statements.
AASB 16 (issued February 2016) Leases	AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases onto its balance sheet in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its balance sheet for most leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases. Lessor accounting remains largely unchanged from AASB 117.	Annual reporting periods beginning on or after 1 January 2019.	When this standard is first adopted from 1 July 2018, there will be minimal impact on transactions and balances recognised in the financial statements.

Reference and Title	Summary	Application date of standard	Impact on Otto Energy Ltd financial statements
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle	The subjects of the principal amendments to the Standards are set out below: AASB 119 Employee Benefits 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.	Annual reporting periods commencing on or after 1 January 2016	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.
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	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.	Annual reporting periods commencing on or after 1 January 2016	There will be no impact on the financial statements when these amendments are first adopted because this is a disclosure standard only.

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) Voluntary Change in Accounting Policy – Exploration and evaluation expense and recognition of assets

The report for the year ended 30 June 2016 has been prepared on the basis of a retrospective application of a voluntary change in accounting policy relating to exploration and evaluation expense. In previous reporting periods, the costs incurred in connection with exploration of areas with current rights of tenure were capitalised to the Statement of Financial Position. The criteria for carrying forward the costs were:

- Such costs are expected to be recovered through successful development and exploitation of the area of interest, or alternatively by its sale; or
- Exploration and/or evaluation activities are continuing in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area are continuing.

Costs carried forward in respect of an area of interest that was abandoned were written off in the year in which the decision to abandon was made.

The new accounting policy was adopted as at 1 July 2015 and has been applied retrospectively. Under the new policy, exploration expenditure including cost of acquisition is expensed to the Statement of Profit or Loss and Other Comprehensive Income in the year when it is incurred. Evaluation and Development costs continue to be accounted for under the same policy which has been applied in previous reporting periods. Evaluation is deemed to be activities undertaken from the beginning of the definitive feasibility study or testing conducted to assess the technical commercial viability of extracting a resource before moving into the Development phase.

The Directors are of the opinion that the change in accounting policy provides users with more relevant and no less reliable information as the policy is more transparent and less subjective. Both the previous and new accounting policies are compliant with AASB 6 Exploration for and Evaluation of Mineral Resources. The impact of this change in accounting policy is reflected below:

The capitalised exploration and evaluation asset previously reported as at 30 June 2015 has decreased by $18.645 million (2014: decreased by $9.049 million). Accumulated losses brought forward at 1 July 2014 increased by US$9.049 million. Net profit after tax previously reported as at 30 June 2015 has decreased by US$9.596 million and restated as US$16.404 million.

Basic and diluted loss per share from continuing operations and net earnings per share have also been restated. The amount of the impact for the new result for the period ended 30 June 2015 of the change in accounting policy stated as below:

Loss per share from continuing operations attributable to the ordinary equity holders of the Company:	30 June 2015
Basic loss per share (US cents)	(1.42)
Diluted loss per share (US cents)	(1.41)

c) 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 2016 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(i)). 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.

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 22.

d) 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.

e) 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
- 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.

f) 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.

g) 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.

h) 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.

i) 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.

j) Exploration Expenditure

Costs incurred in the exploration stages of specific areas of interest are expensed against the profit or loss as incurred. All exploration expenditure, including general permit activity, geological and geophysical costs, new venture activity costs and drilling exploration wells, is expensed as incurred. The costs of acquiring interests in new exploration licences is expensed. Once an exploration discovery has been determined, evaluation and development expenditure is capitalised to the Statement of Financial Position as Oil and Gas Properties.

k) 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.

l) 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.

m) 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.

n) 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.

o) 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.

p) 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.

q) 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(k)).

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.

r) Oil and gas properties

i) Producing assets

Producing projects are stated at cost less accumulated amortisation and impairment charges. Producing projects include evaluation, construction, installation or completion of production and infrastructure facilities such as platforms and pipelines, development wells, acquired development or producing assets, capitalised borrowing costs and the estimated costs of dismantling and restoration. Evaluation is deemed to be activities undertaken from the beginning of the definitive feasibility study or testing conducted to assess the technical commercial viability of extracting a resource before moving into the development phase.

Subsequent capital costs are capitalised only when it is probable that future economic benefits associated with the item will flow to the Group.

ii) 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 expensed in profit or loss as cash call paid. The Operator notifies the Company as to how funds have been expended and any relevant costs are reclassified from exploration expense and capitalised to deferred Oil and Gas Properties.

Where these contributions relate to a prepayment for well completion, these costs are capitalised as prepaid completion costs within Oil and Gas Properties.

iii) Commencement of production

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

iv) 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.

v) 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.

s) 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.

t) 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.

u) 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 expect 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.

v) 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 24. 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.

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 20).

w) 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.

x) 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 20).

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.

y) 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.

z) Rounding of amounts

The Company is of a kind referred to in ASIC Corporations Legislative Instrument 2016/191, 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 recognises 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.

Carrying Value of evaluation and development assets (Oil and Gas Properties)

Judgement is required to determine when an exploration activity ceases and an evaluation or development activity commences. Evaluation is deemed to be activities undertaken from the beginning of the definitive feasibility study or testing conducted to assess the technical commercial viability of extracting a resource before moving into the development phase. Development includes development wells, construction and installation or completion of production and infrastructure facilities such as platforms and pipelines. Circumstances vary for each area of interest and where exploration, evaluation and development activities are conducted within a continual timeframe as part of the same project or drilling campaign with common service providers, a degree of estimation is required in determining the amount of costs capitalised as evaluation and development assets under Oil and Gas Properties.

Assessment of costs associated with non-operated interests is also influenced by notification from the Operator as to how funds have been expended.

Impairment of Assets

In the absence of readily available market prices, the recoverable amounts of assets are determined by discounting the expected future net cash flows from production and comparing these to the carrying value of the relevant asset or group of assets to determine the asset's net present value. The calculation of net present value is based on judgement assumptions concerning discount rates, reserves, future production profiles, commodity prices, production and transportation costs. Reserves assessment also requires interpretation of complex geological and geophysical models in order to make an assessment of size, shape, depth and quality of reservoirs and their anticipated recoveries. These factors used to estimate reserves may change from period to period. The nature of reserve estimation is such that reserves are not intended to be 100% accurate but rather provide a statistically probable outcome in relation to the economically recoverable reserve.

Decommissioning costs

Decommissioning costs will be incurred by the consolidated entity at the end of the operating life of some of the consolidated entity's facilities and properties. The consolidated entity assesses its decommissioning provision at each reporting date. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing, extent and amount of expense can also change. Therefore, significant estimates and assumptions are made in determining the provision for decommissioning. As a result, there could be significant adjustments to the provisions established which would affect future financial results. The provision at reporting date represents management's best estimate of the present value of the future decommissioning costs required.

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.

b) Segment information

The segment information for the reportable segments for the year ended 30 June 2016 is as follows:

2016	Australia	Philippines	Tanzania	USA	Other	Consolidated
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Other revenue	1,039	26,054	-	-	-	27,093
Profit on disposal of property, plant and equipment	12	1	-	-	-	13
Exploration Expense	-	(17,290)	(1,382)	(22,807)	-	(41,479)
Employee benefit expense	(2,777)	(65)	-	-	-	(2,842)
Depreciation and amortisation	(88)	-	-	-	-	(88)
Other expenses	(2,219)	(127)	(57)	(281)	(67)	(2,751)
Foreign currency gains/(losses)	2,302	1	-	(15)	(2,318)	(30)
Net (loss)/profit before income tax	(1,731)	8,574	(1,439)	(23,103)	(2,385)	(20,084)
Income tax expense	-	(2)	-	-	-	(2)
Net (loss)/profit for the year from continuing operations	(1,731)	8,572	(1,439)	(23,103)	(2,385)	(20,086)
Total Segment Assets	20,548	350	4	2,717	1	23,620
Total Segment Liabilities	452	46	175	470	-	1,143

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

2015 (restated)	Australia	Philippines	Tanzania	Other	Consolidated
	US$'000	US$'000	US$'000	US$'000	US$'000
Other revenue	1,184	173	-	-	1,357
Profit/(Loss) on disposal of property, plant and equipment	10	(122)	-	-	(112)
Exploration Expense	-	(3,123)	(7,158)	-	(10,281)
Employee benefit expense	(3,845)	(163)	-	-	(4,008)
Depreciation and amortisation	(211)	(24)	-	-	(235)
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)	(3,357)	(7,173)	(30)	(16,389)
Net loss for the year from continuing operations	(5,829)	(3,357)	(7,173)	(30)	(16,389)
Profit after tax for the year from discontinued operations	-	32,793	-	-	32,793
(Loss)/profit for the year	(5,829)	29,436	(7,173)	(30)	16,404
Total Segment Assets	44,081	403	1	1	44,486
Total Segment Liabilities	283	2,814	(132)	1	2,966

4. Revenue and Other Income

	2016 US$'000	2015 US$'000
Revenue		
Interest revenue	82	503
Revenue from continuing operations	82	503
Other Income		
BHPB reimbursed for Hawkeye expenditure	23,732	-
Farm In Option with Pryce Gases	2,310	-
Other income	969	854
Other income from continuing operations	27,011	854
Total Revenue and Other Income from continuing operation	27,093	1,357

5. Expenses

	2016 US$'000	2015 US$'000
Employee benefits expenses		
Defined contribution superannuation expense	160	218
Share based payment expense	252	265
Other employee benefits expenses	2,430	3,525
Total employee benefits expenses	2,842	4,008
Depreciation & Amortisation		
Property, plant and equipment	88	235
Total depreciation & amortisation	88	235
Other expenses		
Business development	412	486
Corporate and other costs	2,339	1,723
Total other expenses	2,751	2,209

6. Exploration Expenditures

	2016 US$'000	2015 (restated) US$'000
Exploration expenditure - Philippines	17,290	3,123
Exploration expenditure - Tanzania	1,382	7,158
Exploration expenditure - Louisiana	7,897	-
Exploration expenditure – Alaska North Slope	447	-
Acquisition Costs of Borealis – Alaska North Slope (i)	14,463	-
Total Exploration Expenditure	41,479	10,281

(i) During the period, Otto acquired an 8% and 10.8% working interest in two areas of the Alaskan North Slope exploration acreage held by Great Bear (refer to note 18(a)).

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

Asset	Country	Principal Activity	Percentage Interest	
			2016	2015
Service Contract 55	Philippines	Offshore Palawan	68.18%	93.18%
Service Contract 73	Philippines	Offshore Mindoro-Cuyo	-	100%
Kilosa-Kilombero	Tanzania	Kilosa-Kilombero	50% (i)	50%
Pangani	Tanzania	Pangani	50%	50%
South Marsh Island 70/71	USA	Offshore Louisiana	50% (ii)	0%
Bivouac Peak	USA	Onshore Louisiana	45% (iii)	0%
Onshore North Slope	USA	Onshore Alaska	8 - 10.8%	0%

(i) On 21 June 2016 MV Upstream Tanzania signed a farm-in agreement for a 25% working interest in Kilosa-Kilombero, as at 30 June 2016 the transfer was subject to completion terms including approval from the Tanzania Petroleum Department Corporation.
(ii) As at 30 June 2016, awaiting approval from Bureau of Ocean Energy Management.
(iii) On 24 June 2016, Otto exercised its option under the staged farm-in with Operator, Byron Energy Limited, to earn the right to acquire 45% working interest in the Bivouac Peak lease by drilling 1 exploration well.

7. Income Tax Expense

	2016	2015
	US$'000	US$'000
1) The components of tax expense comprise:		
– Current tax	2	-
– Deferred tax – origination and reversal of temporary differences	-	-
	2	-
2) Reconciliation of income tax expense to prima facie tax payable:		
– Loss before income tax	(20,084)	(16,389)
– Prima facie income tax at 30%	(6,025)	(4,917)
– Difference in overseas tax rate	(4,391)	-
– NANE income	(7,173)	-
– Tax effect of amounts not deductible in calculating taxable income	2,727	1,361
– Benefit of deferred tax assets not brought to account	14,864	3,556
– Income tax expense	2	-
3) Deferred tax assets		
– Unrealised foreign exchange	-	27
– Other temporary differences	6,804	74
	6,804	101
– Tax losses - revenue	5,843	5,387
– Tax losses - foreign	10,732	12,491
	23,379	17,979
– Offset against deferred tax liabilities recognised	(1,078)	-
– Deferred tax assets not brought to account	(22,301)	(17,979)
– Deferred tax assets brought to account	-	-
4) Deferred tax liabilities		
– Other Temporary differences	1,078	-
– Offset by deferred tax assets recognised	(1,078)	-
– Deferred tax liabilities brought to account	-	-

8. 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
	US$'000
Revenue	45,217
Cost of Sale	(14,826)
Gross Profit	30,391
Other Expenses	(2,107)
Profit before Tax from a Discontinued Operation	28,284
Income Tax (Expense)/Benefit	(5,830)
Net Profit after Income Tax from a Discontinued Operations	22,454
Gain on sale of the subsidiary after income tax	10,339
Profit from discontinued operation	32,793

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

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	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

9. Dividends Paid

	2016	2015
	US$'000	US$'000
Dividends paid during the financial year:		
No dividend has been paid or declared in current year (2015: unfranked special dividend AUD$0.0076, paid 26 June 2015)	-	6,801
	-	6,801

10. Cash and Cash Equivalents

	2016	2015
	US$'000	US$'000
Cash at bank and in hand	20,309	41,206
	20,309	41,206

Risk exposure

The consolidated entity's exposure to interest rate risk is discussed in Note 23. 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.

11. Trade and Other Receivables

	2016 US$'000	2015 US$'000
Current		
Other receivables	107	-
	107	-

No consolidated entity trade receivables are past due or impaired at 30 June 2016 (30 June 2015: 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 23(a).

12. Other Assets

	2016 US$'000	2015 US$'000
Current		
Prepayments	102	169
Other assets	312	532
	414	701
Non-Current		
Other assets	-	6
	-	6

13. Inventories

	2016 US$'000	2015 US$'000
Raw materials		
Drilling and other inventory	-	2,422
	-	2,422

14. Property Plant and Equipment

	Plant & Equipment US$'000	Furniture & Fixtures US$'000	Total US$'000
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

	Plant & Equipment	Furniture & Fixtures	Total
	US$'000	US$'000	US$'000
Year ended 30 June 2016			
Balance at the beginning of year	121	30	151
Additions	6	5	11
Disposals	-	(1)	(1)
Depreciation expense	(73)	(15)	(88)
Closing net book amount	54	19	73
At 30 June 2016			
Cost or fair value	1,266	106	1,372
Accumulated depreciation	(1,212)	(87)	(1,299)
Net book value	54	19	73

15. Oil and Gas Properties

	2016	2015
Evaluation and Development Assets	US$'000	US$'000
At Cost		
As at 1 July	-	-
Additions	2,717	-
Net carrying value	2,717	-

All capitalised development and evaluation costs as at 30 June 2016 relate to SMI-71 completion equipment installed during the drilling campaign, evaluation undertaken to assess the technical commercial viability of extracting a resource and decommissioning costs associated with SMI-6 and SMI-71.

16. Trade and Other Payables

	2016	2015
	US$'000	US$'000
Current Liabilities[(i)]		
Trade payables	722	2,800
	722	2,800

[(i)]*Trade and other payables are expected to be settled with 12 months. Refer to Note 23 for further information on financial instruments.*

17. Provisions

	2016	2015
	US$'000	US$'000
Current Liability		
Provisions – employee benefits	197	98
	197	98
Non-Current Provision		
Provisions – employee benefits[(i)]	29	68
Provision – Decommissioning Fund [(ii)]	195	-
	224	68

[(i)] The non-current provision for employee benefits includes amounts not expected to be settled within the next 12 months.
[(ii)] The total present value of the estimated expenditure required to decommission the wells for the permit SMI-6 and SMI-71, the expenditure is expected to be settled at the end of the field life for the 2P production profile for SMI-71 and in 2017 for SMI-6.

18. Contributed Equity

a) Share Capital

	2016 No.	2015 No.	2016 US$'000	2015 US$'000
At the beginning of year	1,164,290,071	1,151,790,071	81,104	131,577
Return of capital during the year at AUD$0.0564 (i)	-	-	-	(50,473)
Shares issued during year on exercise of performance rights	100,002	12,500,000	-	-
Fully paid Ordinary Shares issued (ii)	17,518,250	-	791	-
	1,181,908,323	1,164,290,071	81,895	81,104

(i) *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.*
(ii) *On 12 August 16, 17,518,250 fully paid ordinary shares issued at AUD$0.0685 per share as a consideration for the acquisition of Borealis Petroleum Pty Ltd.*

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 24.

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 24.

19. Other Reserves

	2016 US$'000	2015 US$'000
Reserves		
Foreign currency translation reserve	4,188	4,188
Share based payment reserve	9,474	9,222
	13,662	13,410
Foreign Currency Translation Reserve(i)		
Balance at beginning of year	4,188	4,188
As at end of year	4,188	4,188
Share Based Payment Reserve(ii)		
Balance at beginning of year	9,222	8,957
Share based payment expense	252	265
As at end of year	9,474	9,222

(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(e) 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 24 for further details of these plans.

20. Earnings per Share

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

	2016	2015 (Restated)
	US cents	US cents
Basic loss per share from continuing operations	(1.70)	(1.42)
Basic earnings per share from discontinued operations	-	2.84
Total basic earnings/(loss) per share attributable to the ordinary equity holders of the Company	(1.70)	1.42
Diluted loss per share from continuing operations	(1.70)	(1.41)
Diluted earnings per share from discontinued operations	-	2.82
Total diluted earnings/(loss) per share attributable to the ordinary equity holders of the Company	(1.70)	1.41

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

	2016	2015 (Restated)
	US$'000	US$'000
Net loss after tax from continuing operations	(20,086)	(16,389)
Net profit after tax from discontinued operations	-	32,793

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

	2016	2015
	Number of Shares	Number of Shares
Basic earnings per share	1,179,788,145	1,156,832,537
Diluted earnings per share	1,179,788,145	1,164,132,537

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 24.

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 24 In determining diluted EPS, options with an exercise price greater than the average Otto Energy Limited's share price over the year are not included, as these are not considered dilutive.

21. 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(c):

Subsidiaries of Otto Energy Limited	Country of Incorporation	Functional Currency	Class of shares	Equity holding (i)	
				2016 (%)	2015 (%)
Otto Energy (Tanzania) Pty Limited	Australia	USD	Ordinary	100	100
Otto Energy Investments Limited	Bermuda	USD	Ordinary	100	100
Otto Energy Philippines Inc	Philippines	USD	Ordinary	100	100
Colag (BVI) Limited(ii)	British Virgin Islands	USD	Ordinary	-	100
Otto Energy (Galoc Investment 1) Aps	Denmark	USD	Ordinary	100	100
Otto Energy (Galoc Investment 2) Aps	Denmark	USD	Ordinary	100	100
GPC Investments SA	Switzerland	USD	Ordinary	100	100
Borealis Petroleum Pty Ltd.	Australia	USD	Ordinary	100	-
Borealis Alaska LLC	USA	USD	Ordinary	100	-
Otto Energy (USA) INC	USA	USD	Ordinary	100	-
Otto Energy (Louisiana) LLC	USA	USD	Ordinary	100	-

(i) The proportion of ownership interest is equal to the proportion of voting power held.
(ii) Colag (BVI) Limited was dissolved on 23 March 2016.

22. Interest in Joint Operations

a) Joint operations

The consolidated entity's interest in joint arrangement assets as at 30 June 2016 is detailed below. Exploration is the principal activity performed across these assets.

		Group Interest (%)	Group Interest (%)
		2016	2015
Service Contract 55	Philippines	68.18	93.18
Kilosa-Kilombero	Tanzania	50 (i)	50
Pangani	Tanzania	50	50
South Marsh Island 70/71	USA	50 (ii)	
Bivouac Peak	USA	45 (iii)	

(i) On 21 June 2016 MV Upstream Tanzania signed a farm-in agreement for a 25% working interest in Kilosa-Kilombero, as at 30 June 2016 the transfer was subject to completion terms including approval from the Tanzania Petroleum Department Corporation.
(ii) As at 30 June 2016, awaiting approval from Bureau of Ocean Energy Management
(iii) On 24 June 2016, Otto exercised its option under the staged farm-in with Operator, Byron Energy Limited, to acquire the right to earn a 45% working interest in the Bivouac Peak lease by drilling 1 exploration well.

b) Commitments through joint operations

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

	2016	2015
	US$'000	US$'000
Exploration and other capital expenditure commitments	8,600	9,000

23. Financial Risk Management

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, commodity price 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 3rd party financial institutions, foreign currency exposure, and commodity price exposure. It is a risk that the fair value of future cash flows will fluctuate because of changes in foreign exchange rates (currency risk), credit worthiness of 3rd parties (credit risk) and commodity prices (commodity 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.

	US$ US$'000	A$ US$'000	PHP US$'000	Total US$'000
30 June 2016				
Financial Assets				
Cash and Cash equivalents	20,143	147	19	20,309
Total Financial Assets	20,143	147	19	20,309
Financial Liabilities				
Trade and Other payables	551	170	1	722
Total Financial Liabilities	551	170	1	722
30 June 2015				
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

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 2015: 0%). At 30 June 2016, management has assessed that the entity's exposure to foreign exchange movements is found to be immaterial therefore no further analysis provided.

ii) Commodity Price Risk

The consolidated entity is exposed to commodity price risk due to fluctuations in the prices of crude oil and gas which impacts the commercial viability of the consolidated entity's activities. The demand for, and prices of crude oil and gas are dependent on a variety of factors, including:

- Supply and demand;
- The level of consumer product demand;
- Weather conditions;
- The price and availability of alternative fuels;
- Actions taken by governments and international cartels; and
- Global economic and political developments.

The Board recognises that through the normal course of its business activities, the consolidated entity is exposed to various market risks, including commodity risks.

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.

	2016	2015
	US$'000	US$'000
Cash and cash equivalents	20,309	41,206
	20,309	41,206

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', 'A+' or 'A-'.

	Cash at bank and short term deposits		Other Assets	
	2016	2015	2016	2015
	US $'000	US$'000	US $'000	US$'000
AA/A+/A- Rated	20,309	41,151	-	-
BBB Rated	-	55	-	-
	20,309	41,206	-	-

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					
- 2016	722	-	-	722	722
- 2015	2,800	-	-	2,800	2,800

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 (2015: 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 2016 (2015: 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.

24. 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.

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:

2016		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
2 Dec 2013	2 Dec 2016	0.0549	8,000,000	-	-	-	8,000,000	8,000,000
Total			8,000,000	-	-	-	8,000,000	8,000,000
Weighted average exercise price – A$			0.05	-	-	-	0.05	0.05

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

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 was no option that expired during the year ended 30 June 2016. The weighted average remaining contractual life of share options outstanding at the end of the year is 0.42 years (2015: 1.43 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 2016 the consolidated entity issued no options under the Employee Share Plan (2015: nil).

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

Grant date	2 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:

2016		Balance at Start of Year	Rights Issued During the Year	Fair Value on Date of Issue	Exercised	Lapsed/ Expired	Balance at End of Year
Grant Date	Expiry Date	Number	Number	A$	Number	Number	Number
3 Oct 2014	31 Dec 2018	4,633,332	-	0.05	-	(200,000)	4,433,332
3 Oct 2014	31 Dec 2018	2,433,330	-	0.06	-	(133,332)	2,299,998
3 Oct 2014	31 Dec 2018	233,338	-	0.07	(100,002)	(66,668)	66,668
23 Apr 2015	31 Dec 2019	2,079,170	-	0.06	-	-	2,079,170
23 Apr 2015	31 Dec 2019	4,237,497	-	0.07	-	-	4,237,497
23 Apr 2015	31 Dec 2019	79,167	-	0.08	-	-	79,167
23 Apr 2015	31 Dec 2019	79,166	-	0.09	-	-	79,166
14 Aug 2015	31 Dec 2019	-	1,400,000	0.04	-	-	1,400,000
Total		13,775,000	1,400,000	0.04	(100,002)	(400,000)	14,674,998
WAEP – A$		0.06	0.04		0.07	0.06	0.06

2015		Balance at Start of Year	Rights Issued During the Year	Fair Value on Date of Issue	Exercised	Lapsed/ Expired	Balance at End of Year
Grant Date	Expiry Date	Number	Number	A$	Number	Number	Number
1 Oct 2011	31 Dec 2014	4,000,000	-	0.02	(4,000,000)	-	-
1 Feb 2013	1 Apr 2016	8,500,000	-	0.02	(8,500,000)	-	-
3 Oct 2014	31 Dec 2018	-	5,700,000	0.05	-	(1,000,000)	4,700,000
3 Oct 2014	31 Dec 2018	-	2,933,330	0.06	-	(500,000)	2,433,330
3 Oct 2014	31 Dec 2018	-	166,670	0.07	-	-	166,670
23 Apr 2015	31 Dec 2019	-	2,079,170	0.06	-	-	2,079,170
23 Apr 2015	31 Dec 2019	-	4,237,497	0.07	-	-	4,237,497
23 Apr 2015	31 Dec 2019	-	79,167	0.08	-	-	79,167
23 Apr 2015	31 Dec 2019	-	79,166	0.09	-	-	79,166
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

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 2017	1 February 2018	1 February 2019	1 February 2016	1 February 2017	1 February 2018
Grant date	14 August 2015	14 August 2015	14 August 2015	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 2019	31 December 2019	31 December 2019	31 December 2018	31 December 2018	31 December 2018
Rights on issue	466,667	466,667	466,666	2,079,168	2,079,167	2,079,164	2,200,002	2,199,999	2,199,999
Share price at grant date – A$	0.06	0.06	0.06	0.11	0.11	0.11	0.09	0.09	0.09
Expected volatility	65.2%	60.4%	57.8%	47.7%	51.2%	51.2%	51.3%	52.4%	53.2%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Risk free rate	1.96%	1.96%	1.96%	1.95%	1.90%	1.90%	2.60%	2.60%	2.60%
Fair value - $A	0.04	0.04	0.04	0.06	0.07	0.07	0.05	0.05	0.06

Measurement date	1 February 2017	1 February 2018	1 February 2019	1 February 2017	1 February 2018	1 February 2019	1 February 2016	1 February 2017	1 February 2018
Total value - $A	18,667	18,667	18,667	124,750	145,542	145,541	110,000	110,000	132,000

On 14 August 2015, the Group issued 1,400,000 Performance Rights to Matthew Worner.

Time based performance rights:

Measurement date	1 February 2017	1 February 2018	1 February 2019	1 February 2017	1 February 2018
Grant date	23 April 2015	23 April 2015	23 April 2015	3 October 2014	3 October 2014
Expiry date	31 December 2019	31 December 2019	31 December 2019	31 December 2018	31 December 2018
Rights on issue	79,168	79,167	79,166	99,999	99,999
Share price at grant date – A$	0.11	0.11	0.11	0.09	0.09
Fair value - $A	0.09	0.08	0.07	0.06	0.05

There was no time based performance rights issue during the year.

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 2016, the Group has recognised $252,000 of share-based payment transactions expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income (30 June 2015: $265,000).

c) Expenses arising from share based payment transactions

	2016 US$'000	2015 US$'000
Options	-	-
Performance rights	252	265
Share-based payments expensed	252	265

25. Related Party Transactions

a) Key Management Personnel Compensation

	2016 US$'000	2015 US$'000
Short-term employee benefits	1,596	1,864
Post-employment benefits	102	141
Other Benefits	7	-
Termination Benefits	-	86
Share-based payments	251	161
Total USD	1,956	2,252
Total AUD equivalent	2,653	2,694

Detailed remuneration disclosures are provided in the remuneration report on pages 35 to 43.

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

	Note	2016	2015 (restated)
		US$'000	US$'000
Cash flows from operating activities			
Loss before tax from continuing operations		(20,084)	(16,389)
Profit before tax from discontinued operations		-	32,793
Non-cash items			
Depreciation and amortisation		88	4,028
Acquired Exploration and working capital through issue of shares		792	-
Non-cash employee benefits expense – share-based payments		252	265
Profit from discontinued operations		-	(10,339)
Other non-cash items		(31)	378
Change in operating assets and liabilities, net of effects from			
Decrease/(Increase) in trade other receivables		1	27
Decrease/(Increase) in other operating assets		182	721
Decrease/(Increase) in inventories		2,422	(2,422)
(Decrease)/Increase in trade and other payables		(2,326)	1,515
(Decrease)/Increase in provision for income taxes payable		-	13
(Decrease)/Increase in provisions		64	(166)
Net cash (outflow)/inflow from operating activities		(18,640)	10,424

27. 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:

	2016 US$	2015 US$
1) **BDO Australia**		
a) Audit and Other Assurance services:		
i) Audit and review of financial statements	43,717	107,971
ii) Other assurance services	198	-
Total remuneration for audit and other assurance services	43,915	107,971
b) Taxation services:		
i) Tax compliance services	23,805	29,431
ii) Tax consulting and tax advice	25,558	105,332
Total remuneration for taxation services	49,363	134,763
c) Other services:		
i) Remuneration services	7,048	-
Total remuneration for other services	7,048	-
Total remuneration of BDO Australia	100,326	242,734
2) **Network firms of BDO Australia**		
a) Audit and Other Assurance services:		
i) Audit and review of financial statements	12,725	11,852
ii) Other assurance services	-	-
Total remuneration for audit and other assurance services	12,725	11,852
b) Taxation services:		
i) Tax compliance services	-	-
ii) International tax consulting	356	346
Total remuneration for taxation services	356	346
Total remuneration of network firms of BDO Australia	13,081	12,198
3) **Non-BDO**		
a) Audit and Other Assurance services:		
i) Audit and review of financial statements	68,276	-
Total remuneration for audit and other assurance services	68,276	-
b) Taxation services:		
i) Tax compliance services	-	-
ii) International tax consulting and tax advice	83,727	21,637
Total remuneration for taxation services	83,727	21,637
Total remuneration of non-BDO audit firms	152,003	21,637
Total auditors' remuneration	265,410	276,569

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.

28. 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 - Swala Energy Limited and Swala Oil and Gas (Tanzania) plc ("SOGTL")

In May 2016, Otto Energy Limited's subsidiary, Otto Energy (Tanzania) Pty Ltd, commenced legal action in the Federal Court against Swala Energy Limited, Swala Oil and Gas (Tanzania) plc and current and former directors of these entities seeking to recover a gross amount of approximately US$1,000,000. The legal action relates to the Pangani licence, a licence operated by SOGTL with a 25% working interest.

29. Commitments

a) Capital Commitments

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

	2016	2015
	US$'000	US$'000
Committed capital and exploration expenditure commitments.		
No longer than 1 year	8,600	9,000
Longer than 1 year and no longer than 5 years	-	-
More than 5 years	-	-
	8,600	9,000

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:

	2016	2015
	US$'000	US$'000
No longer than 1 year	326	325
Longer than 1 year and no longer than 5 years	267	551
	593	876

30. Events Occurring after the Reporting Period

Otto Energy (Tanzania) Pty Ltd, a 100% owned subsidiary of Otto, has issued various dispute notices to Swala Oil and Gas (Tanzania) plc (SOGTP), pursuant to the Pangani and Kilosa-Kilombero Joint Operating Agreements. The drilling of the Kito-1 exploration well is unlikely to progress in 2016 due to unresolved joint venture disputes and delays in required permits. The farm down to MV Upstream is also likely to be affected by a delay in drilling past 2016.

No other matters or circumstances have arisen since 30 June 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

31. Parent Entity Disclosures

As at, and throughout the financial year ended 30 June 2016, the parent Company of the consolidated entity was Otto Energy Limited.

	Parent Entity	
	2016 (US$,000)	2015 (restated) (US$,000)
Summarised Statement Of Profit or Loss and Other Comprehensive Income		
(Loss)/ profit for the year after tax	(3,896)	73,463
Total comprehensive (loss)/ profit for the year	(3,896)	73,463
Summarised Statement of Financial Position		
Current Assets	20,381	44,068
Non-Current Assets	20,491	9,628
Total Assets	40,872	53,696
Current Liabilities	337	219
Non-Current Liabilities	29	10,070
Total Liabilities	366	10,289
Net Assets	40,506	43,407
Total equity of the parent entity comprising:		
Share Capital	81,895	81,104
Share based payments reserves	9,474	9,221
Foreign currency translation reserve	118	118
Accumulated Losses	(50,981)	(47,036)
Total Equity	40,506	43,407

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

The parent entity had no guarantees as at 30 June 2016 (2015: nil).

Contingent Liabilities

The parent entity had no contingent liabilities as at 30 June 2016 and 30 June 2015.

Commitments

The parent entity had no capital commitments for property plant and equipment as at 30 June 2016 and 30 June 2015. The parent entity has a non-cancellable operating lease payable as follows:

	2016	2015
	US$'000	US$'000
No longer than 1 year	326	325
Longer than 1 year and no longer than 5 years	267	551
	593	876

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.

DIRECTORS' DECLARATION
FOR THE YEAR ENDING 30 JUNE 2016

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 2016 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:

I Macliver

Mr I Macliver
Director

19 September 2016

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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 2016, 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 Stat*ements, 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

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 2016 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 pages 35 to 43 of the directors' report for the year ended 30 June 2016. 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 2016 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO
J Prue

Jarrad Prue

Director

Perth, 19 September 2016

The shareholder information set out below was applicable as at 31 August 2016 unless otherwise stated.

a) Distribution of Equity Securities

The issued capital of the Company at 31 August 2016 is 1,181,908,323 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	873	1,058,838,087
10,001 – 100,000	2,806	116,577,708
5,001 – 10,000	661	5,492,616
1,001 – 5,000	293	973,443
1 – 1,000	130	26,469
	4,763	1,181,908,323
Number holding less than a marketable parcel size of 10,638 shares at A$0.047 per share	1,144	7,115,969
Shareholders by Location	**No. of Holders**	**No. of Shares**
Australian holders	4,512	880,985,376
Overseas holders	251	300,922,947
	4,763	1,181,908,323

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	CITICORP NOMINEES PTY LIMITED	42,176,855	3.57%
4	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	34,529,379	2.92%
5	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	21,803,678	1.84%
6	JOHN JETTER (CONSOLIDATED RELEVANT INTEREST)	16,089,175	1.36%
7	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD <CLIENT ACCOUNT>	14,020,833	1.19%
8	RICK CRABB (CONSOLIDATED RELEVANT INTEREST)	11,295,052	0.96%
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	10,848,100	0.92%
10	SPHINX HOLDINGS LTD	10,227,361	0.87%
11	MR BRIAN LESLEIGH WILLIAMS & MRS VALERIE RUBY DAWN WILLIAMS	8,200,000	0.69%
12	STUART ANDREW PTY LTD	7,639,000	0.65%
13	FORSYTH BARR CUSTODIANS LTD <FORSYTH BARR LTD-NOMINEE A/C>	7,383,767	0.62%
14	IAN MACLIVER (CONSOLIDATED RELEVANT INTEREST)	4,549,721	0.38%
15	MR TIMOTHY FRANCIS CLIVE MCDONNELL & MRS MILA MCDONNELL	4,300,000	0.36%
16	TATTERSFIELD SECURITIES LIMITED	3,999,538	0.34%
17	NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	3,840,774	0.32%
18	MR CRAIG GRANT RADFORD & MRS SARAH JANE RADFORD	3,787,504	0.32%
19	MATTHEW GERARD ALLEN (CONSOLIDATED RELEVANT INTEREST)	3,643,000	0.31%
20	MR CONRAN JAMES SMITH	3,504,000	0.30%
		695,659,251	58.86%

c) Substantial holders

		No. of Shares Held	% Held
1	SANTO HOLDING AG	241,910,757	20.47%
2	MOLTON HOLDINGS LIMITED	241,910,757	20.47%

d) Unquoted Securities

The unlisted securities of the Company as at 31 August 2016 are 14,674,998 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	6,799,998	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
			14,674,998	

* 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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