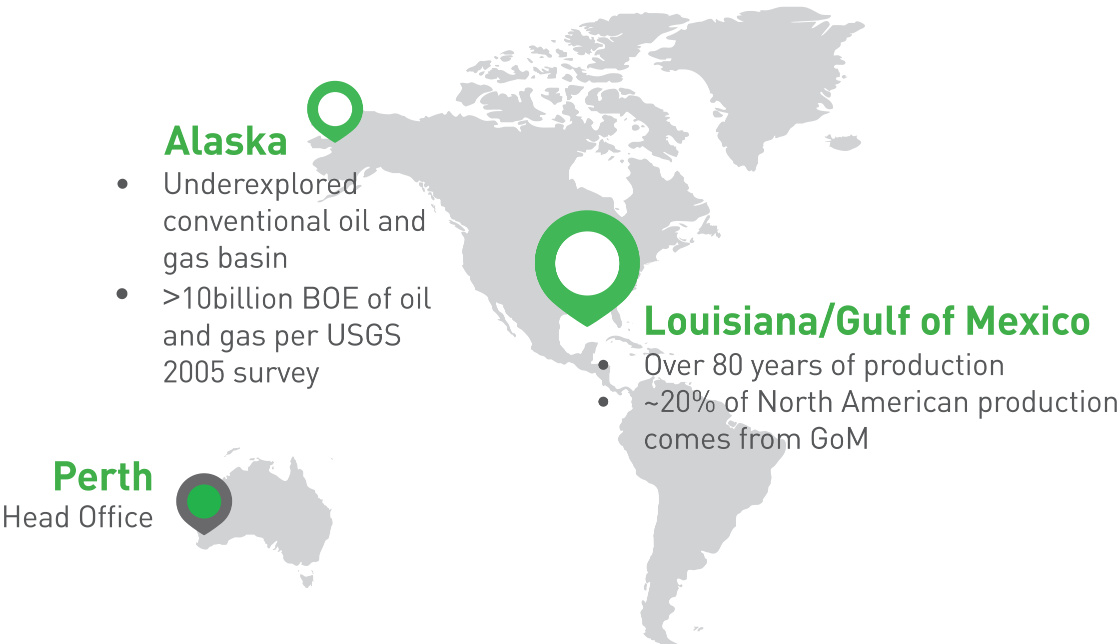
OTTO ENERGY

RETURNING TO PRODUCTION

ANNUAL REPORT 2017

CONTENTS



Alaska
• Underexplored conventional oil and gas basin
• >10billion BOE of oil and gas per USGS 2005 survey
Louisiana/Gulf of Mexico
• Over 80 years of production
• ~20% of North American production comes from GoM
Perth
Head Office

CHAIRMAN'S REPORT

Dear Shareholders,

It is my pleasure to present the 13th Annual Report to shareholders as Otto Energy continues on its evolution into a North American focused oil and gas explorer and producer.

The first steps of this strategy were taken in 2015 and Otto has continued to maintain its discipline and focus in developing and selecting new opportunities. This discipline has served the Company well as the global energy markets adapt to shifting paradigms. Otto has a strategy that will enable it to thrive and flourish in this new world order.

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. In an environment of lower oil prices for longer periods, we will invest only in projects that are profitable below current oil prices.

The energy business will always involve risk and uncertainty and we cannot promise success on every occasion. We can promise to be as rigorous as humanly possible in our due diligence before investing shareholder money.

That having been said, we note the IEA's predictions that from 2018 onwards they expect a gradually widening supply gap to develop. Notwithstanding the increasing global focus on environmental issues and new technologies, global demand for oil is still growing, which augers well for Otto's future.

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,

The year has seen Otto continue to build upon the foundation set in 2015 to establish a North American oil and gas business.

The energy sector globally continues to evolve and respond to changing dynamics at the macro level. Growth in supply from North American shale projects, acceleration in the viability of renewable energy projects and soft global demand growth have all been factors to drive sentiment in the junior oil and gas sector.

Otto has positioned itself in a counter-cyclical manner in the Gulf of Mexico by building a business that is robust for the energy business model of the future.

The attraction of the Gulf of Mexico lies in the mature nature of the infrastructure and the technical understanding of the petroleum system. The use of new technology in seismic processing has enabled overlooked opportunities to be unlocked. The investment boom in shale oil projects has depleted capital available for exploration and development in conventional fields, despite the economics of conventional oil being as or more robust. There is opportunity for a company such as Otto to grow a business with key partnerships in the Gulf of Mexico whilst the focus is currently elsewhere.

Otto's strategy is to build a business based upon the following key characteristics:

- Miocene/Pliocene geology in amplitude supported prospects, a proven play trend in the Gulf of Mexico;
- Investing capital into drilling rather than building our own prospect inventory through seismic;
- Seeking early cashflow and production, typically between 12 to 18 months from discovery to first oil;
- Close to export infrastructure to reduce capex and cycle times;
- Focusing on shallow water projects (<300 feet) to keep capital expenditure requirements manageable; and
- Chasing high liquid yield projects which improve economics.

The first phase of this strategy is to build a business delivering approximately 5,000 barrels of oil per day net to Otto in order to establish a cashflow generating base from which to enable growth. There is sufficient existing inventory of drillable prospects for Otto to do this on a non-operated basis and to partner with select companies who undertake robust geotechnical work. Otto is very pleased with our existing working relationships with key partners and looks to build upon these relationships in the future.

The development of the South Marsh Island 71 project is a key platform of Otto's current business in the Gulf of Mexico and we look forward to returning to the ranks of producers in the very near future. Otto has an active exploration program in the coming fiscal year and in the success case expansion of the production base from these discoveries.

Otto has a growing pipeline of new business and drilling opportunities from which to expand this business in both the Gulf of Mexico and Alaska. The drilling program will provide opportunities for Otto's shareholders to gain exposure to these prolific oil and gas regions.

The support of the Otto shareholders continues to be very positive as we undertake the evolution in the company's strategy. We were very pleased to secure funding for the SM 71 development through the US$8.2 million convertible note issue announced in May 2017. The convertible note has attractive terms and has a conversion price set at A$0.055 supporting the future value of Otto's share price.

Otto will utilize its strong balance sheet to invest in new opportunities, including the recently announced exploration drilling opportunity at South Timbalier 224, to look to build upon the early success seen in the Gulf of Mexico.

The support of Otto's shareholders, staff and my fellow directors throughout this period has been greatly appreciated. Thank you once again for your ongoing support of Otto Energy and I look forward to reporting upon a similarly very successful year in FY2018.

Matthew Allen
Managing Director

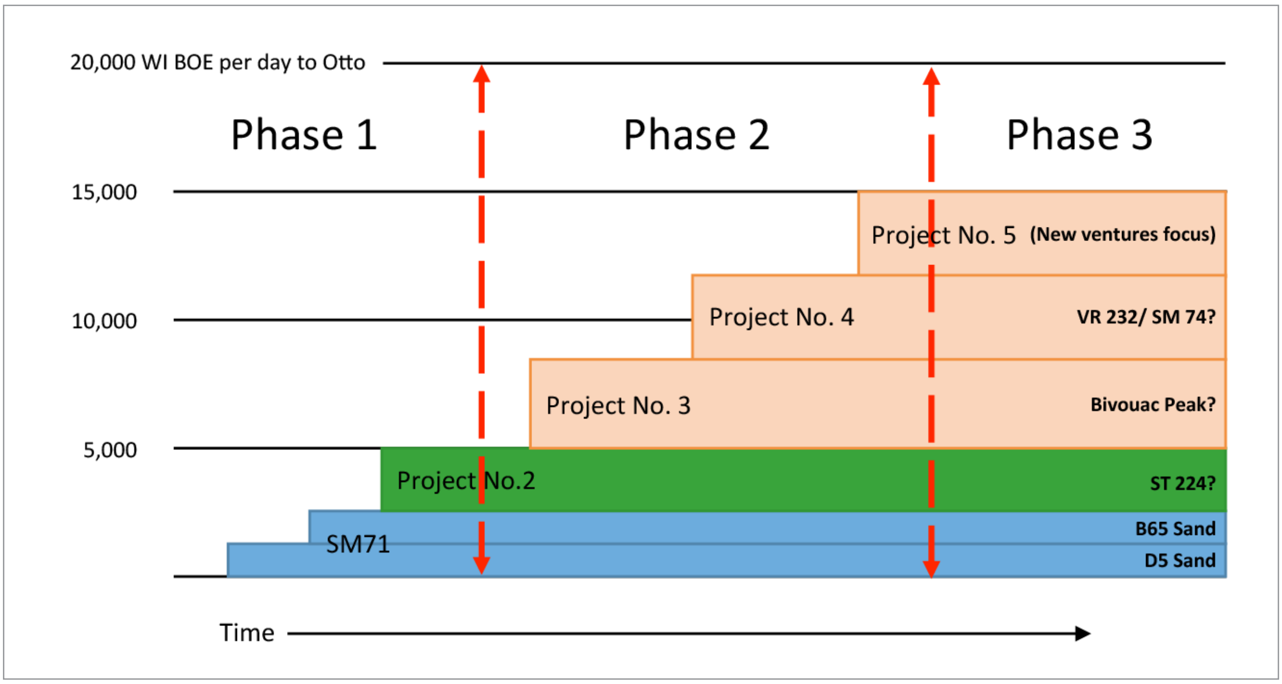
US GULF OF MEXICO STRATEGY

Through its new venture and business development activities, Otto has identified a number of opportunities in the Gulf of Mexico shelf and onshore that are available on attractive terms.

Otto's strategy in the Gulf of Mexico is to add highly profitable incremental increases in production and cashflow through farming in to projects that meet specific criteria - projects that are ready to drill with high margins (low opex), high chance of success and near term production through early drilling and rapid development.

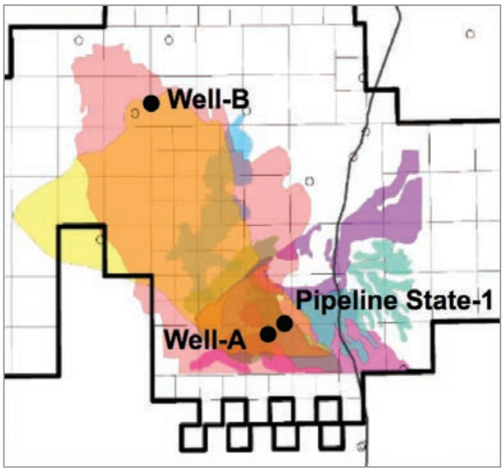
THE FOCUS IS ON PROSPECTS WITH THE FOLLOWING CHARACTERISTICS:

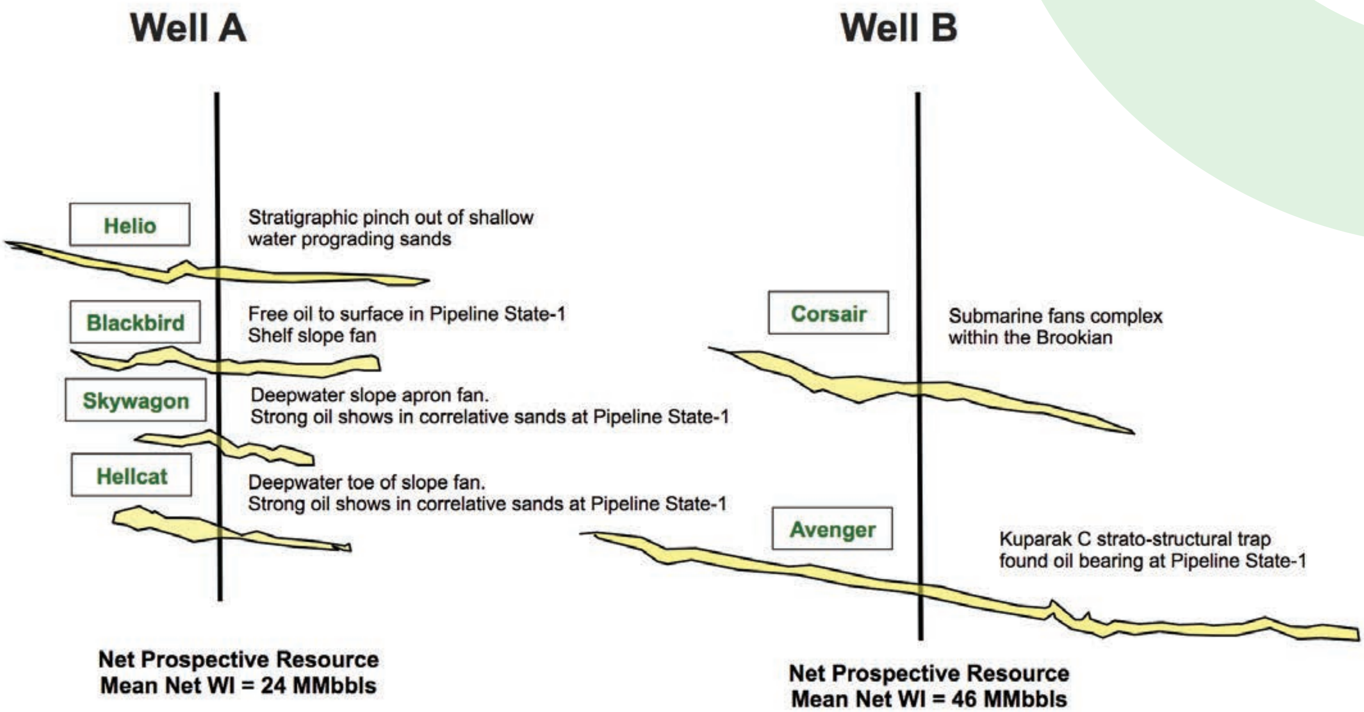
- Miocene/Pliocene geology which are amplitude supported
- Investing capital into drilling, not seismic
- Seeking early cashflow/ROI - Approximately 12-18 months from exploration to production
- Shallow water (<300 feet) – keeping capex manageable
- High liquids yields to increase margins



ALASKA STRATEGY

Otto's strategy for its Alaskan acreage is to drill a minimum of two game-changer exploration wells as soon as possible. The targets have been identified using 3D seismic data and multiple reservoir intervals can be tested in each well.





ASSET OVERVIEW

NORTH AMERICA

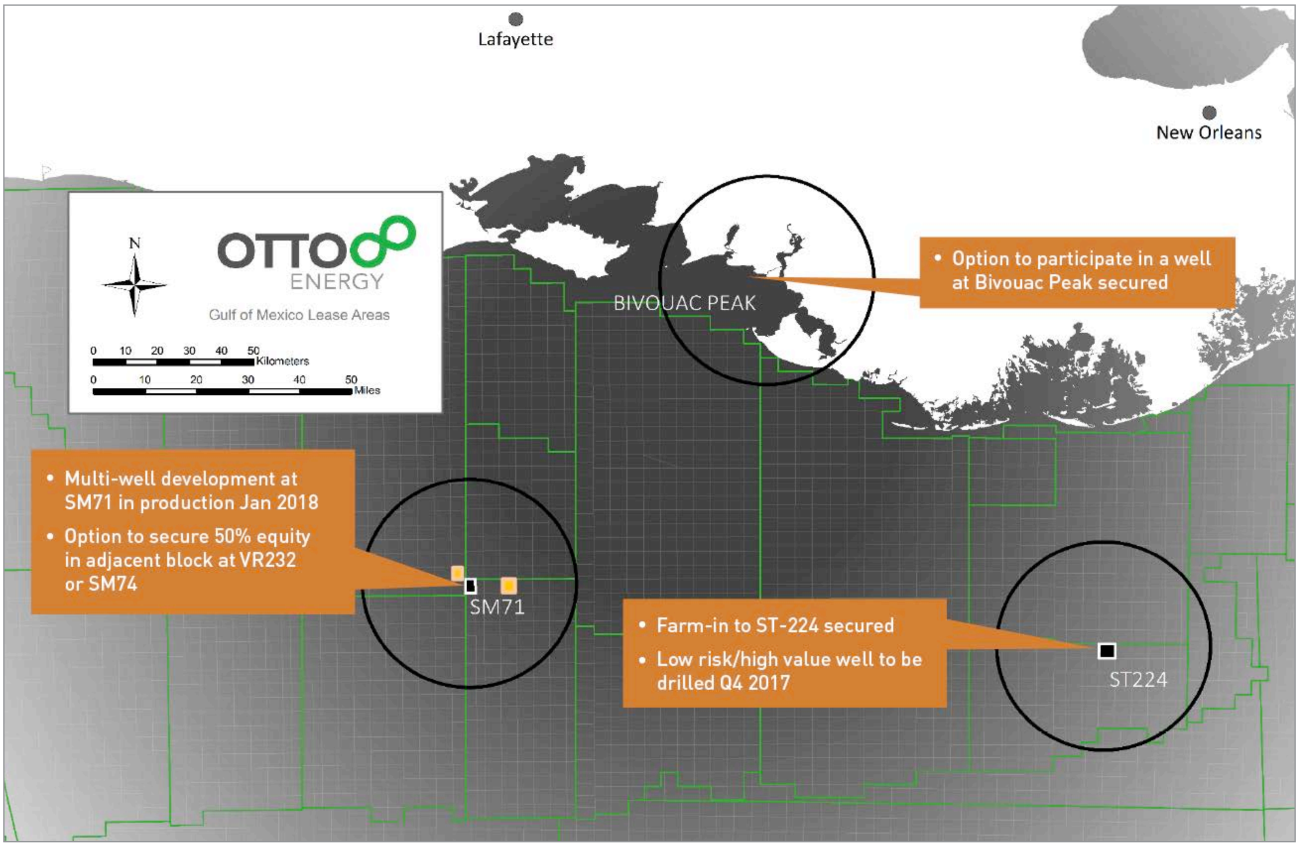
GULF OF MEXICO

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 for development of new discoveries 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 the 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.



DEVELOPMENT SOUTH MARSH ISLAND 71

SM 71

LOCATION:	Louisiana - Offshore Gulf of Mexico
AREA:	12.16 km^2
OTTO'S INTEREST:	50.00% with Byron Energy LTD (Operator)

Through the drilling of the SM 71 #1 well in April-May 2016, Otto has earned a 50% participating interest (equal to a 40.625% net revenue interest) in the SM 71 licence with WI 2P reported reserves of 2,795 Mboe to Otto.

Drilling of SM 71 #1 intersected four separate hydrocarbon bearing sand intervals of which three will ultimately be completed. The well bore has been temporarily suspended awaiting tie-in to production infrastructure. Otto expects that first production will be delivered in January 2018 from SM 71. Additional follow-up opportunities around this salt dome are being progressed.

In 2016 the joint venture procured a tripod platform to be modified for use at the SM 71 location.

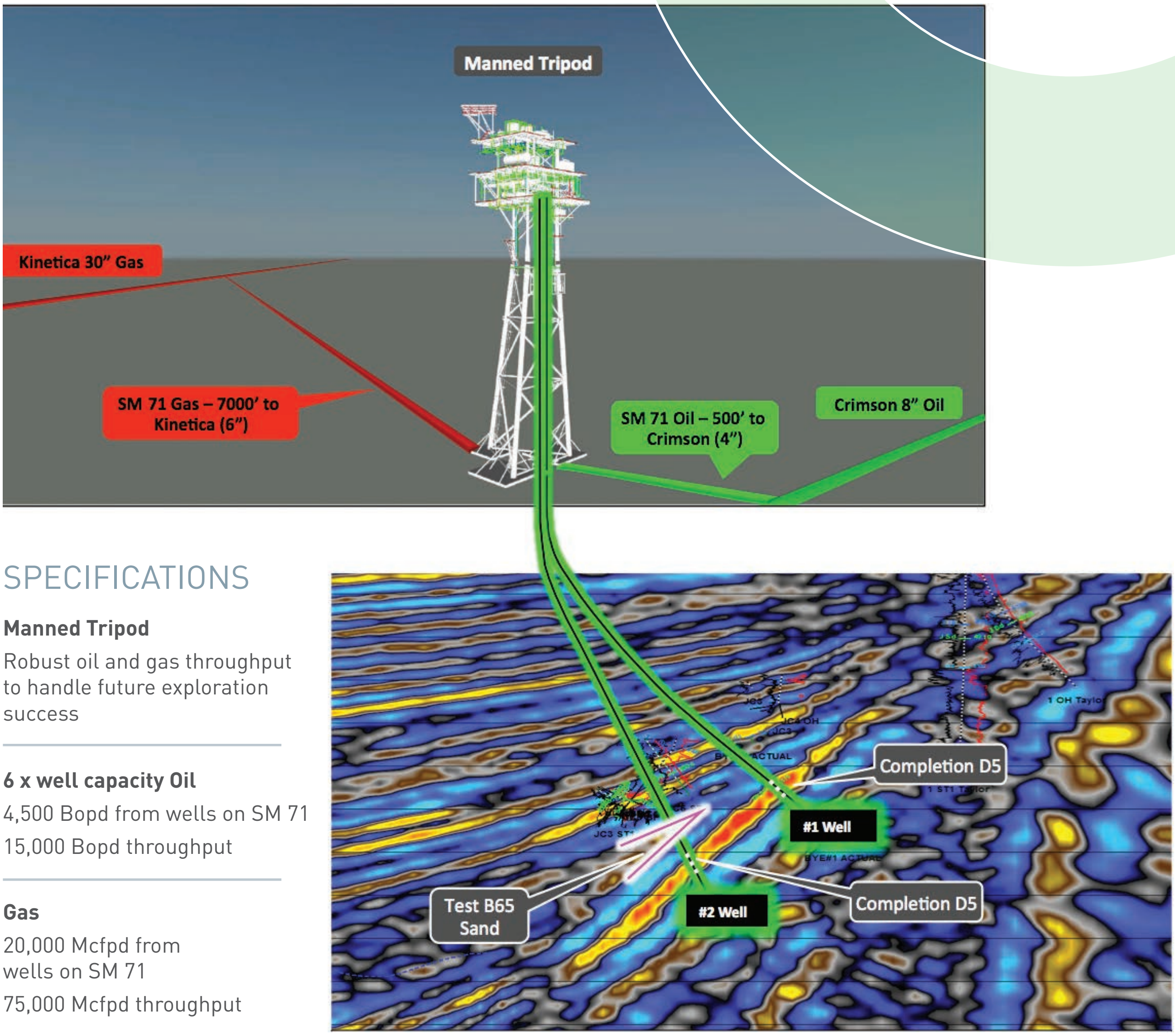
The joint venture plans to initially complete the SM 71 #1 well in the D5 Sand and drill an additional development well into this same interval to optimise field drainage. Both wells are expected to record initial flow rates of 1,500 to 2,000 bopd (gross field production) similar to those recorded on the adjacent SM 72 and SM 73 blocks.

During drilling of this second well the oil prospective B65 Sand interval will be penetrated. This has the scope to double the present block reserve base. Interpretation of post-drill seismic inversion data shows promising results defining the D5 Sand extent and delineating the future B65 Sand target. B65 sands contain a 2.9 MMboe WI Prospective Resource.

Given success within the B65, additional development wells would be drilled in due course with scope to utilize all six available slots on the platform.

As at 30 June 2017, Byron has continued to progress the platform jacket and deck modifications at Laredo's onshore facility in Galveston, Texas. Modifications of the jacket portion of the production platform have been completed. Painting operations are underway with a new coating system being applied to the top of the jacket and all deck areas. As each deck is completed, the yard will install instrument and electrical systems, hang interconnect piping and install skid mounted production equipment. Unless weather issues arise, the decks will be re-stacked and commissioning is expected to begin shortly. Load out of the jacket and decks is anticipated by mid to late October.

Byron advises that all permitting is underway with regulators and expectation is to complete the design, fabrication, installation and commissioning of the tripod by November 2017. Pipeline installation should be completed by the end of 2017.



SPECIFICATIONS

Manned Tripod

Robust oil and gas throughput to handle future exploration success

6 x well capacity Oil

4,500 Bopd from wells on SM 71

15,000 Bopd throughput

Gas

20,000 Mcfpd from wells on SM 71

75,000 Mcfpd throughput

Water

5,000 Bwpd

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EXPLORATION SOUTH TIMBALIER 224

ST 224

LOCATION:	Louisiana - Offshore Gulf of Mexico
AREA:	20.23 km^2
OTTO'S INTEREST:	25.00%

Otto has secured a farm-in to the South Timbalier 224 licence in the Gulf of Mexico shelf area. Located in 170 feet/52 metres of water, the block contains a large amplitude supported, high condensate to gas ratio (CGR) gas condensate prospect delineated by 3D seismic.

Several existing production platforms fall within tie-back distance of the proposed well, making development of any discovered hydrocarbons both quick and cost effective.

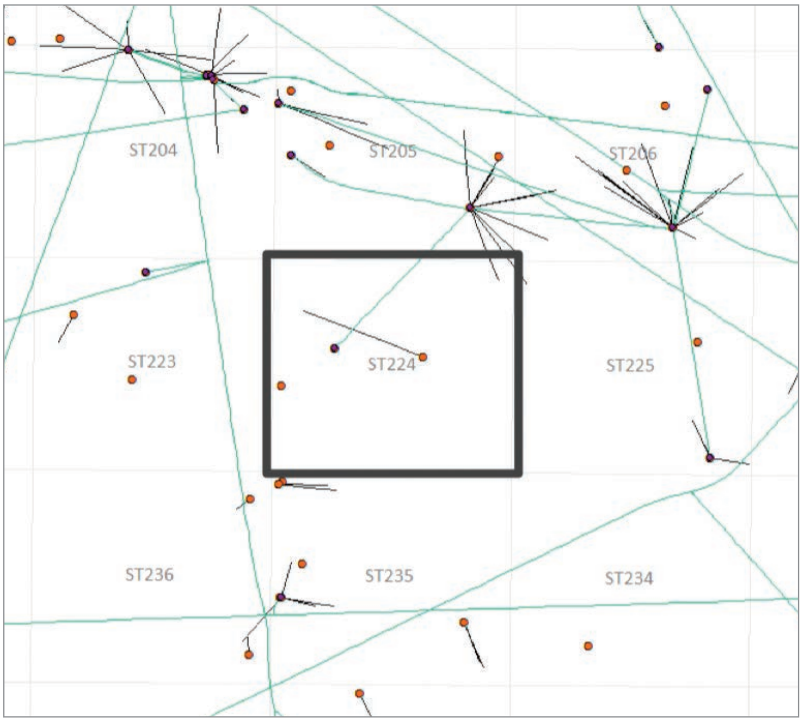
The operations are being conducted by respected and experienced operator, W&T Offshore Inc.

Under the terms of the participation agreement, Otto will be required to fund 25% of the initial test well in the ST 224 lease (up to casing point) to earn a 25% working interest. The financial commitment is currently estimated at US$2.7 million (Otto share of dry hole costs) including funds to evaluate the well using wireline techniques and in a failure case to P&A the location. Otto also paid US$56,250 in back costs.

FORWARD PLAN

The operator has commenced the well permitting process and secured the Enterprise Offshore 264 jack-up drilling rig to undertake the drilling operations in Q4 2017.

Enterprise Offshore 264 Jackup Rig



ST 224 location showing nearby wells, platforms and pipeline facilities.

EXPLORATION BIVOUAC PEAK

LOCATION:	Inshore Louisiana - Gulf of Mexico
AREA:	10 km^2
OTTO'S INTEREST:	45.00% - Earning via staged farm-in with Byron Energy Ltd (Operator)

Otto has the option to acquire a 45% working interest in the Bivouac Peak lease, which covers approximately 2,500 acres of highly prospective acreage in the transitional zone inshore southern Louisiana. Byron has identified multiple prospects at both the Middle and Lower Miocene levels demonstrating stacked amplitude and AVO (amplitude versus offset) support. Follow-up drilling options have been identified at the Lower Miocene level that could increase the scale of the overall opportunity.

An independent resource estimate for Bivouac Peak was prepared by Collarini Associates, which assigned a Prospective Resource to Otto's proposed 45% working interest (33.525% net revenue interest) of 7,196 Mbbl of oil and 79,950 Bcf of gas.

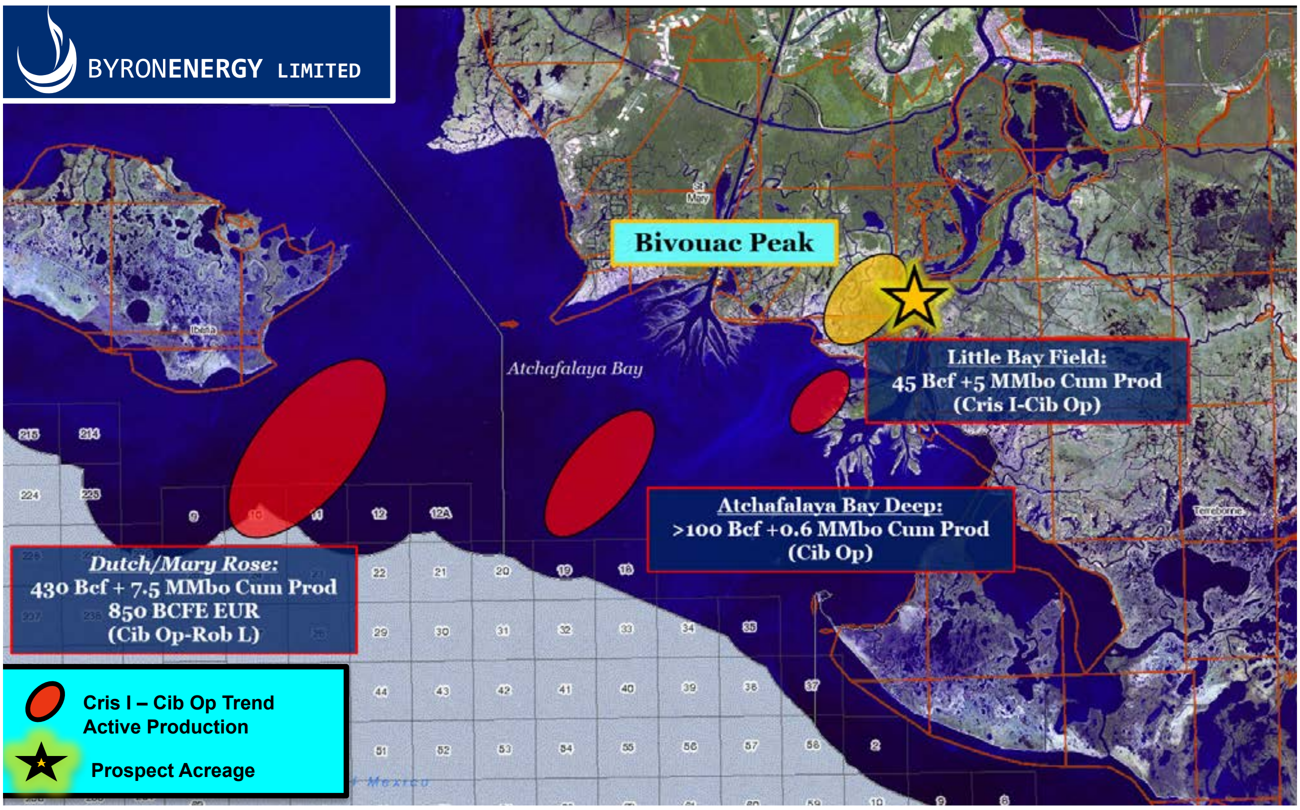
Significant production exists in the adjacent Miocene sequence at the Little Bay field (>45 Bcf gas and 5 MMbbl condensate) and the Atchafalaya Bay field (>100 Bcf gas and 0.6 MMbbl condensate). With nearby production infrastructure already in place, any successful well at Bivouac Peak would be capable of being brought into production within 6-12 months of discovery.

Otto has the ability to earn a 45% working interest (33.525% net revenue interest) through the funding of 60% of the cost of the first well drilled at Bivouac Peak. Any costs above US$6 million (Otto share) in respect of the first well and all future expenditure will be in accordance with Otto's participating interest (45%).

FORWARD PLAN

Otto is awaiting a well proposal from the operator prior to committing to participate in the first exploration well.

Otto expects the operator to defer drilling until the SM 71 development is completed and producing.



EXPLORATION ALASKA

LOCATION:	Onshore Norte Slope Alaska
AREA:	2,234 km^2
OTTO'S INTEREST:	8%-10.8% Great Bear Petroleum Operating (Operator)

GREAT BEAR ACREAGE - OVERVIEW

Through its agreement with Great Bear Petroleum Operating LLC ('Great Bear') in 2015, Otto acquired between an 8% and 10.8% working interest (equivalent to 56,712 net acres) in two areas of Alaskan North Slope exploration acreage held by Great Bear.

Great Bear is a private exploration company focused exclusively on exploring and developing conventional and unconventional resources on the North Slope of Alaska.

Great Bear is the dominant exploration acreage holder in this highly prospective basin holding 574,716 gross acres in a major play fairway south of the Prudhoe Bay and Kuparuk giant oil fields. Great Bear has undertaken significant exploration work on the acreage since 2011 including:

- Acquisition and processing of approximately 2,970 km^2 of 3D seismic data (1,170 km^2 in 2016).
- Drilling of two unconventional stratigraphic test wells which cored three primary unconventional targets.
- Drilling of a conventional exploration well (Alkaid-1) which specifically targeted a 3D defined Brookian reservoir.

The extensive, modern 3D seismic coverage, existing well control and proximity to the all-weather Dalton Highway and Trans-Alaskan Pipeline System (TAPS) means the acreage is well positioned for exploration.

Existing 3D seismic has allowed development of an extensive prospect portfolio which includes at least 4 well locations.

Otto's exposure on the first 3 wells is limited to US$2.6 million/well.

NEARBY ALASKA ACTIVITY

Adjacent to Otto Energy acreage, exploration success by other North Slope operators continues:

- In March 2017, the Repsol/ Armstrong Horseshoe-1 well immediately to the west of Otto's acreage resulted in a significant conventional oil discovery which is estimated to contain approximately 1.2 billion barrels of recoverable light oil.
- ConocoPhillips/Anadarko recently announced a Nanushuk Formation discovery of greater than 300 MMbbl.
- Caelus Energy discovered 2.4 Bbbl EUR light oil at Smith Bay in October 2016.
- 88 Energy have drilled and are presently testing the Icewine #2 unconventional HRZ well to the immediate south of Otto's acreage.

EXPLORATION ALASKA (CONTINUED)

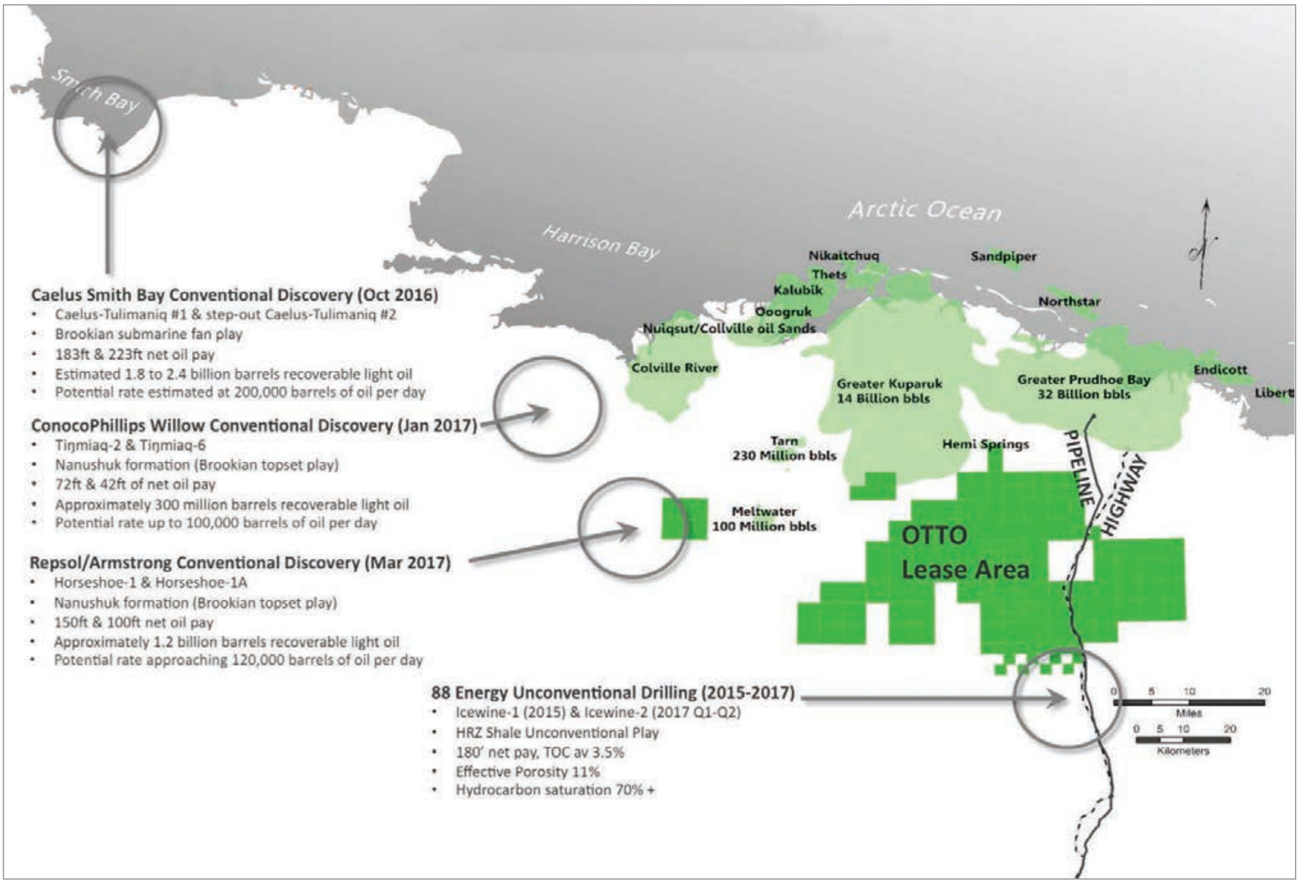
FORWARD PLAN

House Bill 111 (HB111) was passed by the Alaska Legislature on 15 July 2017. This has terminated the previous arrangement whereby cash rebates were funded by Alaska and instead implementing future deductibility against production royalties.

No funding agreement has yet been reached for accrued cash rebates up to 30 June 2017.

Great Bear are resolving outstanding exploration rebate claims with the Alaska government and sourcing additional equity investment ahead of a planned drilling campaign in early 2018.

There are multiple permitted drilling locations which will form the basis of a significant conventional exploration campaign.



SUMMARY OF ASSETS

SUMMARY OF ASSETS AS AT 30 JUNE 2017

ASSET	OTTO WORKING INTEREST	OTTO NET REVENUE INTEREST	JOINT VENTURE PARTNERS		NOTES
Louisiana/Gulf of Mexico					
South Marsh Island 70*/71, Outer Continental Shelf	50%	40.625%	Byron Energy (operator)	50% WI	Otto participated in successful discovery well, earning entitlement in April 2016.
South Timbalier 224	25%	19.5625%	W&T Offshore (operator)	39% WI	Otto to participate in an initial test well in the ST224 lease to earn a 25% working interest.
			Other Private US Companies	36% WI	
Bivouac Peak, Louisiana Near-shore	45% Earning via staged farm-in with Byron Energy Ltd (Operator)*	33.525%	Byron Energy (operator)	35% WI	Option well *Earn in subject to Otto participating in one exploration well.
			Metgasco	10% WI	
			Private US Investor	10% WI	
Alaska					
Alaska North Slope	8 – 10.8%	6.67 – 9.45%	Great Bear Petroleum Operating LLC (operator)	67.0% - 89.2% WI	152 leases covering 2,234km^2 make up the Great Bear Alaskan North Slope Acreage Otto entry made in August 2015. Capped contribution to 3 wells.
			Haliburton Energy Services, Inc	0.0% - 25.0% WI	

*SM 70 expired on 31 July 2017.

Note: If Vermillion 232 lease is ultimately awarded to Byron Energy Ltd, Otto will have a right to acquire a 50% working interest/40.625% net revenue interest, leaving Byron with a 50% working interest/40.625% net revenue interest. Should Byron ultimately not acquire VR 232, Otto will have a right to acquire 50% of SM 74, on same terms, for an amount equal to a gross one hundred thirty-three percent (133%) of Otto's fifty percent (50%) interest share of certain acquisition costs, including the Dry Hole Costs of an Initial Test Well (as defined in the Participation Agreement between Byron and Otto) incurred by Byron plus an amount equal to a gross fifty percent (50%) of certain other acquisition expenses (as defined in the Participation Agreement) incurred and paid by Byron. Otto's rights to acquire further new assets under the Participation Agreement expired effective 31 March 2017.

Definitions

"**$m**" means USD millions of dollars

"**bbl**" means barrel

"**bbls**" means barrels

"**Mbbl**" means thousand barrels

"**Mboe**" means thousand barrels of oil equivalent ("**BOE**") with a BOE determined using a ratio of 6,000 cubic feet of natural gas to one barrel of oil – 6:1 conversion ratio is based on an energy equivalency conversion method and does not represent value equivalency

"**MMscf**" means million standard cubic feet

"**MMboe**" means million barrels of oil equivalent ("**BOE**") with a BOE determined using a ratio of 6,000 cubic feet of natural gas to one barrel of oil – 6:1 conversion ratio is based on an energy equivalency conversion method and does not represent value equivalency

RESERVES STATEMENT

RESERVES AND PROSPECTIVE RESOURCES AS AT 30 JUNE 2017

OTTO ENERGY WORKING INTEREST (WI) %

RESERVES	OIL (MBBLS)	GAS (MMSCF)	MBOE (6:1)
SM-71 (undeveloped), WI (50%)			
Proved (1P)	715	496	798
Probable Reserves	1,778	1,302	1,995
Proved and Probable (2P)	2,494	1,798	2,793
Possible Reserves	660	455	736
Proved, Probable and Possible (3P)	3,153	2,254	3,529
Prospective Resource (Undeveloped, Best Estimate, Unrisked)	**OIL (MBBLS)**	**GAS (MMSCF)**	**MBOE (6:1)**
SM-71, WI (50%)	2,956	26,445	7,366
Alaska WI (10.8%)	70,000	-	70,000
Bivouac Peak WI (45%) *	7,196	79,950	20,520

*Earn in subject to Otto participating in one exploration well

OTTO ENERGY NET REVENUE INTEREST (NRI) %

RESERVES	OIL (MBBLS)	GAS (MMSCF)	MBOE (6:1)
SM-71 (undeveloped), NRI (40.625%)			
Proved (1P)	581	403	648
Probable Reserves	1,445	1,058	1,621
Proved and Probable (2P)	2,026	1,461	2,269
Possible Reserves	536	370	598
Proved, Probable and Possible (3P)	2,562	1,831	2,867
Prospective Resource (Undeveloped, Best Estimate, Unrisked)	**OIL (MBBLS)**	**GAS (MMSCF)**	**MBOE (6:1)**
SM-71, NRI (40.625%)	2,402	21,495	5,985
Alaska NRI (9 - 9.45%) †	58,333 - 61,250	-	58,333 - 61,250
Bivouac Peak NRI (33.525%) *	5,361	59,562	15,288

†Precise weighted average royalty split unknown, volumetric range provided based on 12.5 to 16.67% royalty range.

RESERVES RECONCILIATION

OTTO ENERGY WORKING INTEREST (WI) %

RESERVES	OIL (MBBL)					GAS (MMSCF)				
SM-71 (undeveloped), Otto (50% WI)	30 June 2016	Production	Farm-in	Revisions	30 June 2017	30 June 2016	Production	Farm-in	Revisions	30 June 2017
Proved (1P)	716	-	-	(1)	715	497	-	-	(1)	496
Probable Reserves	1,778	-	-	-	1,778	1,302	-	-	-	1,302
Proved and Probable (2P)	2,495	-	-	(1)	2,494	1,799	-	-	(1)	1,798
Possible Reserves	665	-	-	(5)	660	459	-	-	(4)	455
Proved, Probable and Possible (3P)	3,159	-	-	(6)	3,153	2,258	-	-	(4)	2,254

OTTO ENERGY NET REVENUE INTEREST (NRI) %

RESERVES	OIL (MBBL)					GAS (MMSCF)				
SM-71 (undeveloped), net to Otto (40.625%)	30 June 2016	Production	Farm-in	Revisions	30 June 2017	30 June 2016	Production	Farm-in	Revisions	30 June 2017
Proved (1P)	582	-	-	(1)	581	404	-	-	(1)	403
Probable Reserves	1,445	-	-	-	1,445	1,058	-	-	-	1,058
Proved and Probable (2P)	2,027	-	-	(1)	2,026	1,462	-	-	(1)	1,461
Possible Reserves	540	-	-	(4)	536	373	-	-	(3)	370
Proved, Probable and Possible (3P)	2,567	-	-	(5)	2,562	1,835	-	-	(4)	1,831

RESERVES STATEMENT

COMPETENT PERSONS REPORT

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 an 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 reserve and contingent resource information in this report in relation to SM 71 and Bivouac Peak is based on information compiled by technical employees of independent consultants Collarini Associates, under the supervision of Mr Mitch Reece BSc PE. Mr Reece is the President of Collarini 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 is 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.

RESERVES AND RESOURCES REPORTING NOTES

(i) The reserves and prospective resources information in this document is effective as at 30 June, 2017 (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 SPE-PRMS (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) There has been no material changes to reserves or resources from the previous year.

(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 originally announced to the ASX on 18 September 2017, 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) All of Otto's reserves and prospective resources (except for those designated as Alaska) are located in the shallow water of the Gulf of Mexico, offshore Louisiana, USA. Furthermore, all of Otto's reserves are undeveloped as at 30 June 2017.

PROSPECTIVE RESOURCES CAUTIONARY STATEMENT

The estimated quantities of petroleum that may potentially be recovered by the application of future development projects relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further 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.

FINANCIAL REPORT 2017

FINANCIAL REPORT 2017
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Annual General Meeting

The Annual General Meeting of Otto Energy Limited will be held on 29 November 2017

CORPORATE DIRECTORY

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
Company Secretary	Mr David Rich
Key Executives	Mr Matthew Allen – Managing Director and Chief Executive Officer Mr Paul Senycia – Vice President Exploration and New Ventures Mr David Rich – Chief Financial Officer and Company Secretary
Principal registered office in Australia	32 Delhi Street West Perth WA 6005 Tel: + 61 8 6467 8800 Fax: + 61 8 6467 8801
Share Registry	Link Market Services Limited Level 12 QV1 Building 250 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
Securities Exchange Listing	Australian Securities Exchange Level 8, Exchange Plaza 2 The Esplanade Perth WA 6000 ASX Code: OEL
Website address	www.ottoenergy.com
ABN	56 107 555 046

DIRECTORS’ REPORT
FOR THE YEAR ENDED 30 JUNE 2017

The Directors present their report together with the consolidated financial statements of the Group comprising Otto Energy Limited (referred to as ‘Otto’ or the ‘Company’) and its subsidiaries for the financial year ended 30 June 2017 and the auditors’ report thereon.

Directors

The Directors in office at any time during the financial year and until the date of this report are set out below. All Directors were in office for the entire period.

Mr John Jetter BLaw, BEcon, INSEAD
Chairman (Independent Non-Executive)
Appointed Non-Executive Director 10 December 2007, Non-Executive Chairman 25 November 2015
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. Mr Jetter has been a non-executive Director of Venture Minerals Limited since June 2010 and Peak Resources Limited since April 2015 and is a member of the Remuneration and Nomination Committee.

Mr Matthew Allen BBus, FCA, F Fin, GAICD
Managing Director and Chief Executive Officer
Appointed 24 June 2015
Mr Matthew Allen was appointed Chief Executive Officer in February 2014 and Managing Director in June 2015. Mr Allen joined Otto Energy in 2009 as Chief Financial Officer and has played an integral role in implementing Otto’s strategy since joining Otto. Prior to joining Otto, Mr Allen worked for Woodside Energy for over 8 years in leadership roles in a number of Woodside business units, including within Woodside’s overseas businesses in Africa.

Mr Allen’s experience lies in the operation and management of oil & gas companies with particular focus on strategic, commercial and financial aspects of the business. Mr Allen has global upstream experience in the USA, Asia, Africa, Australia and the Middle East. He is a Fellow of Chartered Accountants Australia and New Zealand, Fellow of the Financial Services Institute of Australasia and Graduate Member of the Australian Institute of Company Directors.

Mr Ian Macliver BCom, FCA, SF Fin, FAICD
Director (Independent Non-Executive)
Appointed 7 January 2004
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 in both resource and industrial companies, specifically responsible for capital raising and other corporate initiatives. Mr Macliver has been the non-executive Chairman of Western Areas Limited since November 2013, and non-executive Director since October 2011. Mr Macliver was a non-executive Director of Rent.com.au Limited (formerly Select Exploration Limited) from September 2010 to June 2015 and a non-executive Director of Range Resources Limited from June to August 2014. Mr Macliver is a member of the Audit and Risk Management Committee and the Remuneration and Nomination Committee.

Mr Ian Boserio BSc Hons First Class (Geophysics), BSc (Geology)
Director (Independent Non-Executive)
Appointed 2 September 2010
Mr Ian Boserio brings to the Otto Board more than 30 years international experience in the oil and gas business, focused predominantly on exploration and management. Mr Boserio was formerly at Shell as the Australian New Business Manager, prior to that he led the Shell Australia and New Zealand exploration team developing its gas portfolio for LNG development. Mr Boserio also worked with Shell internationally, including roles in Australia, North Sea, Middle East, India and Indonesia, including a five year secondment into Woodside. He is currently co-owner and technical director of private oil and gas company Pathfinder Energy Pty Ltd. Mr Boserio is a member of the Audit and Risk Management Committee.

Company Secretary

Mr David Rich BCom, FCA, GAICD, AGIA, Grad.Dip.CSP
Appointed 31 January 2017
Mr Rich is an experienced public company CFO with the last 15 years as CFO of ASX listed upstream oil and gas companies with international interests including Australia, Europe, Asia, Africa and the USA.

Mr Neil Hackett resigned as Company Secretary effective 31 January 2017.

Director's interests

As at the date of this report, the interests of the Directors in the shares and rights of Otto Energy Limited were:

Director	Number of ordinary shares	Number of convertible notes	Number of rights
Mr J Jetter	16,589,175	200,000	-
Mr M Allen	5,243,000	-	3,100,000
Mr I Macliver	4,549,721	-	-
Mr I Boserio	-	-	-

Principal activities

The principal activity of the Group continued to be investment in oil and gas exploration, development and production mainly in North America.

Dividends

No dividend has been declared for the year ended 30 June 2017.

Review of operations

A review of the operations of the Group during the financial year and the results of those operations are set out below. In addition to this, as at year end the Company no longer has interests in Tanzania with the Pangani licence expiring and the Company withdrawing from the Kilosa-Kilombero JOA. Further details are set out below in the significant changes in the state of affairs.

Gulf of Mexico

Strategy

Through its new venture and business development activities, Otto has identified a number of opportunities in the Gulf of Mexico shelf and onshore that are available on attractive terms.

Otto's strategy in the Gulf of Mexico is to add highly profitable incremental increases in production and cashflow through farming in to projects that meet specific criteria - projects that are ready to drill with high margins (low operating costs), high chance of success and near term production through early drilling and rapid development. The focus is on prospects with the following characteristics:

- Miocene/Pliocene geology which are amplitude supported
- Investing capital into drilling, not seismic
- Seeking early cashflow/ROI – Approximately 12-18 months from exploration to production
- Shallow water (<300 feet) – keeping capex manageable
- High liquids yields to increase margins

Operational review

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 for development of new discoveries 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 the 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.

South Marsh Island 71 (SM 71)

Through the drilling of the SM 71 #1 well in April-May 2016, Otto has earned a 50% participating interest (equal to a 40.625% net revenue interest) in the SM 71 licence with WI 2P reported reserves of 2,795 Mboe to Otto.

Drilling of SM 71 #1 intersected four separate hydrocarbon bearing sand intervals of which three will ultimately be completed. The well bore has been temporarily suspended awaiting tie-in to production infrastructure. Otto expects that first production will be delivered in January 2018 from SM 71. Additional follow-up opportunities around this salt dome are being progressed.

In 2016 the joint venture procured a tripod platform to be modified for use at the SM 71 location.

The joint venture plans to initially complete the SM 71 #1 well in the D5 Sand and drill an additional development well into this same interval to optimise field drainage. Both wells are expected to record initial flow rates of 1,500 to 2,000 bopd (gross field production) similar to those recorded on the adjacent SM 72 and SM 73 blocks.

During drilling of this second well the oil prospective B65 Sand interval will be penetrated. This has the scope to double the present block reserve base. Interpretation of post-drill seismic inversion data shows promising results defining the D5 Sand extent and delineating the future B65 Sand target. B65 sands contain a 2.9 MMboe WI Prospective Resource. Given success within the B65, additional development wells would be drilled in due course with scope to utilize all six available slots on the platform.

As at 30 June 2017, Byron had continued to progress the platform jacket and deck modifications at Laredo's onshore facility in Galveston, Texas. Modifications of the jacket portion of the production platform have been completed.

Forward Plan

Painting operations are underway with a new coating system being applied to the top of the jacket and all deck areas. As each deck is completed, the yard will install instrument and electrical systems, hang interconnect piping and install skid mounted production equipment. Unless weather issues arise, the decks will be re-stacked and commissioning is expected to begin shortly. Load out of the jacket and decks is anticipated by mid to late October.

Byron advises that all permitting is underway with regulators and expectation is to complete the design, fabrication, installation and commissioning of the tripod by November 2017. Pipeline installation should be completed by the end of 2017.

South Timbalier 224 (ST 224)

Since year end, Otto has secured a farm-in to the ST 224 licence in the Gulf of Mexico shelf area. Located in 170 feet/52 metres of water, the block contains a large amplitude supported, high condensate to gas ratio (CGR) gas condensate prospect delineated by 3D seismic.

Several existing production platforms fall within tie-back distance of the proposed well, making development of any discovered hydrocarbons both quick and cost effective.

The operations are being conducted by respected and experienced operator, W&T Offshore Inc.

Under the terms of the participation agreement, Otto will be required to fund 25% of the initial test well in the ST 224 lease (up to casing point) to earn a 25% working interest. The financial commitment is currently estimated at US$2.7 million (Otto share of dry hole costs) including funds to evaluate the well using wireline techniques and in a failure case to P&A the location. Otto also paid US$56,250 in back costs.

Forward Plan

The operator has commenced the well permitting process and secured the Enterprise Offshore 264 jack-up drilling rig to undertake the drilling operations in Q4 2017.

Bivouac Peak

Otto has the option to acquire a 45% working interest in the Bivouac Peak lease, which covers approximately 2,500 acres of highly prospective acreage in the transitional zone inshore southern Louisiana. Byron has identified multiple prospects at both the Middle and Lower Miocene levels demonstrating stacked amplitude and AVO (amplitude versus offset) support. Follow-up drilling options have been identified at the Lower Miocene level that could increase the scale of the overall opportunity.

An independent resource estimate for Bivouac Peak was prepared by Collarini Associates, which assigned a Prospective Resource to Otto's proposed 45% working interest (33.525% net revenue interest) of 7,196 Mbbl of oil and 79,950 Bcf of gas.

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

Otto has the ability to earn a 45% working interest (33.525% net revenue interest) through the funding of 60% of the cost of the first well drilled at Bivouac Peak. Any costs above US$6 million (Otto share) in respect of the first well and all future expenditure will be in accordance with Otto's participating interest (45%).

Forward Plan

Otto is awaiting a well proposal from the operator prior to committing to participate in the first exploration well. Otto expects the operator to defer drilling until the SM 71 development is completed and producing.

Alaska

Strategy

Otto's strategy for its Alaskan acreage is to drill a minimum of two game-changer exploration wells as soon as possible. The targets have been identified using 3D seismic data and multiple reservoir intervals can be tested in each well.

Operational review

Through its agreement with Great Bear Petroleum Operating LLC ('Great Bear') in 2015, Otto acquired between an 8% and 10.8% working interest (equivalent to 56,712 net acres) in two areas of Alaskan North Slope exploration acreage held by Great Bear.

Great Bear is a private exploration company focused exclusively on exploring and developing conventional and unconventional resources on the North Slope of Alaska.

Great Bear is the dominant exploration acreage holder in this highly prospective basin holding 574,716 gross acres in a major play fairway south of the Prudhoe Bay and Kuparuk giant oil fields. Great Bear has undertaken significant exploration work on the acreage since 2011 including:

- Acquisition and processing of approximately 2,970 km^2 of 3D seismic data (1,170 km^2 in 2016).
- Drilling of two unconventional stratigraphic test wells which cored three primary unconventional targets.
- Drilling of a conventional exploration well (Alkaid-1) which specifically targeted a 3D defined Brookian reservoir.

The extensive, modern 3D seismic coverage, existing well control and proximity to the all-weather Dalton Highway and Trans-Alaskan Pipeline System (TAPS) means the acreage is well positioned for exploration.

Existing 3D seismic has allowed development of an extensive prospect portfolio which includes at least 4 well locations.

Otto's exposure on the first 3 wells is limited to US$2.6 million/well.

Forward Plan

House Bill 111 (HB111) was passed by the Alaska Legislature on 15 July 2017. This has terminated the previous arrangement whereby cash rebates were funded by Alaska and instead implementing future deductibility against production royalties.

No funding agreement has yet been reached for accrued cash rebates up to 30 June 2017.

Great Bear are resolving outstanding exploration rebate claims with the Alaska government and sourcing additional equity investment ahead of a planned drilling campaign in early 2018.

There are multiple permitted drilling locations which will form the basis of a significant conventional exploration campaign.

Nearby Activity

Adjacent to Otto acreage, exploration success by other North Slope operators continues:

- In March 2017, the Repsol/Armstrong Horseshoe-1 well immediately to the west of Otto's acreage resulted in a significant conventional oil discovery which is estimated to contain approximately 1.2 billion barrels of recoverable light oil.
- Conoco Phillips/Anadarko recently announced a Nanushuk Formation discovery of greater than 300 MMbbl.
- Caelus Energy discovered 2.4 Bbbl EUR light oil at Smith Bay in October 2016.
- 88 Energy have drilled and are presently testing the Icewine #2 unconventional HRZ well to the immediate south of Otto's acreage.

Financial summary

The Group recognised a loss after income tax for the year of $5.25 million (2016: loss $20.09 million). The net loss for the financial year ending 30 June 2017 was mainly due to the fact that Otto had no production and hence no sales revenue for the year. The main focus of the Company was on the development of the SM 71 oil project in the Gulf of Mexico and on business development activities in order to mature a portfolio of potential growth assets in the Gulf of Mexico. Administration costs were reduced during the year from $5.711 million to $4.374 million due to an overall focus on costs.

Exploration costs for the year were down significantly from $41.479 million in 2016 to $0.905 million due to delays in Alaska, disputes in Tanzania and a focus on the SM 71 development in the Gulf of Mexico.

Significant changes in the state of affairs

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

- On 26 May 2017 the Company announced that its subsidiary, Otto Energy (Tanzania) Pty Ltd ('OET'), and Swala Oil and Gas (Tanzania) Plc ('Swala') had entered into settlement and other commercial arrangements in respect of the various claims and disputes concerning both the Pangani and Kilosa-Kilombero Licences, onshore Tanzania. Under the arrangements OET has withdrawn from the Kilosa-Kilombero JOA and Swala has assumed the rights and obligations in respect of OET's 50% participating interest.
- On 29 May 2017 the Company announced that it had entered into binding agreements to raise $8.2 million via an issue of secured convertible notes to Molton Holdings Limited, a major Otto shareholder ($8 million), and Mr John Jetter, Otto's Chairman ($0.2 million). Key terms of the convertible notes are set out in the notice of meeting released to the ASX on 23 June 2017. Funds raised via the issue will be used to develop Otto's SM 71 oil project. The funds were received and the notes issued on 2 August 2017.

Significant events after the balance date

Convertible notes issue

On 29 May 2017 the Company announced that it had entered into binding agreements to raise $8.2 million via an issue of secured convertible notes to Molton Holdings Limited, a major Otto shareholder ($8 million), and Mr John Jetter, Otto's Chairman ($0.2 million). Key terms of the convertible notes are set out in the notice of meeting released to the ASX on 23 June 2017. Funds raised via the issue will be used to develop Otto's SM 71 oil project.

On 25 July 2017 a general meeting of shareholders approved the issue of the notes. The funds were received and the notes issued on 2 August 2017.

Exploration – farm in to ST 224

On 3 July 2017 Otto announced it had farmed into the South Timbalier 224 ('ST 224') lease in the Gulf of Mexico shelf. Under the terms of the participation agreement, Otto will be required to fund 25% of the initial test well in the ST 224 lease (up to casing point) to earn a 25% working interest. The financial commitment is currently estimated at $2.7 million (Otto share of dry hole costs). Otto has since paid $56,250 in back costs.

ST 224 contains a large, amplitude supported, high CGR, gas condensate exploration prospect located in the prolific Bul. 1 trend. The operator, respected and experienced GOM focused company W&T Offshore Inc., has commenced the well permitting process and secured the Enterprise Offshore 264 jack-up drilling rig to drill the prospect in late 2017.

SM 71 oil development

Since 30 June 2017 the following material events have occurred in relation to the SM 71 oil development in the Gulf of Mexico (Otto 50% working interest):

- The Bureau of Safety and Environmental Enforcement ('BSEE') approved an extension of the lease term over SM 71 through to 30 November 2017 based on a submitted activity schedule. Under the approved activity schedule, operations for drilling of SM 71 #2 well and completion of SM 71 #1 well are expected to commence before the end of November.
- Hurricane Harvey passed through the Houston area beginning on 25 August 2017 producing a deluge of rain and high winds in the Galveston area over a five-day period. The operator of the SM 71 project, Byron Energy Ltd (Byron, ASX: BYE), reported that on 30 August 2017 construction operations had resumed at the Laredo Construction yard in Galveston, Texas after the passage of Hurricane Harvey. There were no reports of major injury or significant damage at the yard.
- On 12 September 2017 Otto announced that a drilling contract had been signed by Byron with Ensco Plc for the Ensco 68 jack-up rig to carry out the SM 71 drilling and completion program. The Ensco 68 will be available before the end of November 2017 to follow the installation of the tripod production facility on the lease. The contract will allow the joint venture to drill the SM 71 F2 well and then complete the SM 71 F2 and SM 71 F1 (previously referred to as SM 71 #1) wells.
- Since year end Otto has approved an Authority for Expenditure (AFE) totalling $1,576,850 (Otto 50% share) for the SM 71 pipeline installation, facility installation, hookup and commissioning. This amount is not included in the commitments note in the financial statements.

Swala settlement

Under a settlement agreement signed on 25 May 2017 with Swala Oil and Gas (Tanzania) Plc ('Swala') in relation to the Pangani Licence in Tanzania, Swala agreed to pay Otto $800,000 on or before 31 August 2017. As at the date of this report no payment has been received from Swala. In accordance with the terms of the settlement agreement, Otto has applied to the Federal Court for judgment against Swala in the amount of $800,000 plus costs and interest. The $800,000 receivable has been fully provided for as a doubtful debt in the financial statements.

No other matters or circumstances have arisen since 30 June 2017 that have significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results

Likely developments in the operations of the Group that were not finalised at the date of this report included:

- Development of the SM 71 oil field is expected to be completed over the coming months with production commencing in January 2018;
- Participation in an exploration well in ST 224 in the Gulf of Mexico in late 2017; and
- Participate for up to a fifty percent (50%) working interest in the Gulf of Mexico Vermillion Area Block 232 ('VR 232') licence, if Byron is awarded that licence (currently appealing rejection of bid). Should Byron ultimately not acquire VR 232, Otto will acquire a 50% working interest in SM 74 on the same terms.

Additional comments on expected results of certain operations of the Group are included in the Review of Operations above.

In accordance with its objectives, the Group 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 area of North America with a specific target of the Gulf of Mexico. Further information on likely developments in the operations of the Group 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 Group.

Environmental regulation and performance

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

Directors' meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the numbers of meetings attended by each Director were as follows:

Director	Board meetings		Audit and risk management 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	7	7	-	-	1	1
Mr M Allen	7	7	-	-	-	-
Mr I Macliver	7	7	2	2	1	1
Mr I Boserio	7	7	2	2	-	-

Indemnification and insurance of Directors and officers

During the financial year, the Company paid a premium of $41,034 to insure the Directors and officers of the Company and its controlled entities, and the managers of each of the divisions of the Group.

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 Group, 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 (Rounding in Financial/Directors' Reports) Instrument 2016/191, and in accordance with that instrument, amounts in the consolidated financial statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

Non-audit services

The following non-audit services were provided by the entity's auditor, BDO Australia. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

BDO Australia received or are due to receive the following amounts for the provision of non-audit services:

	2017 US$	2016 US$
Other assurance services	-	198
Tax compliance services	28,687	23,805
Tax consulting and tax advice	18,970	25,558
Remuneration services	-	7,048
	47,657	56,609

Auditor's independence declaration

The auditor's independence declaration is included on page 42 of this report.

Remuneration report (audited)

The Directors of the Company have prepared this remuneration report to outline the overall remuneration strategy, policies and practices which were in place by the Group in 2017. This structure includes the share rights and option plans approved by the shareholders in 2013 and again at the Company's Annual General Meeting on 16 November 2016. 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 Group's strategy and goals;
b) delivery of value-adding outcomes for the Group;
c) fair and reasonable reward for past individual and Group performance; and
d) incentive to deliver future individual and Group 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 Group as a whole.

The remuneration policies and structure in 2017 were generally the same as for 2016.

Key management personnel disclosed in this report are:

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
Executives	
Mr Paul Senycia	Vice President Exploration and New Ventures
Mr David Rich	Chief Financial Officer and Company Secretary, commenced 28 February 2017 and 31 January 2017 respectively
Mr Matthew Worner	Commercial Manager, ceased 1 July 2017
Mr Craig Hasson	Chief Financial Officer, ceased 28 February 2017

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 and review remuneration policies and practices including Company incentive schemes and superannuation arrangements.

The Committee considers independent advice, where circumstances require, on the appropriateness of remuneration to ensure the Group attracts, motivates and retains high quality people. An advisor was retained for the 2016 calendar year review.

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 Group. Performance of the Directors and the CEO of the Group 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 Group's performance benchmarks and the achievement of individual performance objectives.

Non-executive director remuneration policy

Non-executive Directors of the Group 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 February 2017. 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 2016 to 30 June 2017	From 1 July 2015 to 30 June 2016
Base fees		
Chair	A$ 125,000	A$ 125,000
Other non-executive Directors	A$ 75,000	A$ 75,000-90,000
Other non-executive Directors (Philippines based) (i)	-	US$ 30,000
Additional fees		
Audit and Risk Management Committee Chair	A$ 10,000	A$ 10,000
Director of Otto Energy Investments Limited	-	US$ 22,000
Director of Otto Energy Philippines Inc.	US$ 12,000	US$ 22,000

(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 Group for the year ended 30 June 2017 is summarised below.

The remuneration structure in place for the year ended 30 June 2017 applies to all employees including key management personnel and staff members of the Group. The Group's remuneration structure has three elements:

a) fixed annual remuneration (FAR) or base salary (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 Group's objective to ensure that executive remuneration is aligned to Group'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 Group pays competitive base salaries which have been benchmarked to the market in which the Group operates. The Group 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 Group's key management personnel. An advisor was retained for the 2016 calendar year review.

FAR is 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 Group and overall competence in fulfilling the requirements of the particular role.

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

Superannuation contributions required under the Australian superannuation guarantee legislation continue to be made and are deducted from the executives overall FAR entitlements.

b) Short-term incentives

Executives have the opportunity to earn an annual short-term incentive (STI) if predefined targets are achieved. The CEO 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 2017 financial year were based on the scorecard measures and weightings as disclosed below. Specific 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 predefined targets are met. The Committee review in February 2017 concluded that no STI would be awarded for the 2016 calendar year. The basis for the Committee's conclusion was that despite the satisfactory performance against the established targets, the continued weak oil price environment and uncertain future with regards to the company's exploration program were sufficient to warrant no STI payments in this instance.

Accordingly, there were no STI bonuses paid in the year to 30 June 2017.

c) Long-term incentives

The Group 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 Performance Rights and Employee Share Option Plans which were approved by shareholders at the 2013 Annual General Meeting and again at the 2016 Annual General Meeting.

The Otto Energy Limited Performance Rights and Employee Share Option Plans are designed to provide long-term incentives for employees to deliver long-term shareholder returns. Under the plans, participants are granted performance rights or options which only vest if certain performance conditions are met and the employees are still employed by the Group 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.

The amount of performance rights that will vest depends on vesting period and/or Otto Energy Limited's total shareholder return ('TSR'), including share price growth, dividends, and capital returns. For the rights on issue during, and at the end of the year, the rights for the CEO and other members of the executive team were based on TSR performance only. Other employees' rights were based 50% on time and 50% on TSR. The TSR performance required for all rights on issue is 10% per annum, compounding from the date of grant to the measurement date. If the TSR vesting condition is not met on a measurement date (no rights vest), the performance rights do not lapse and continue to exist as unvested performance rights to be retested at the next measurement date or expiry date, whichever is later.

On the measurement date of 1 February 2017 4,200,000 performance rights held by key management personnel vested based on TSR, as the TSR from 3 October 2014 (grant date) to 1 February 2017 was 29.47% (using a grant date share price of A$0.0285 after adjustment for the 2015 dividend and capital return) which is above the required 10% p.a. compounded rate of 24.92%. A total of 2,466,668 rights granted to key management personnel on 23 April 2015 and 14 August 2015 did not vest and hence continued to exist to be tested at the next measurement date. A total of 1,900,000 rights held by key management personnel have since lapsed upon cessation of employment.

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	MD/CEO	Management	Professional and technical	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 Securities Trading Policy. Executives are prohibited from entering into any hedging arrangements over unvested rights under the Company's Performance Rights Plan. While the Employee Share Option Plan does not specifically prohibit holders from entering into hedging arrangements over options, the Board would include such restrictions in any offer under the 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 Group's 2016 Annual General Meeting

Otto Energy Limited received more than 96% of "yes" votes on its remuneration report for the 2016 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 Corporations 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 2013	30 June 2014	30 June 2015	30 June 2016	30 June 2017
Net profit/(loss) after tax (US$'000)	745	13,295	16,404	(20,086)	(5,247)
Share price at year end (AUD)	0.038 *	0.047 *	0.069	0.044	0.025
Basic earnings/(loss) (US cents per share)	0.07	1.16	1.42	(1.70)	(0.44)
Return of capital (AU cents per share)	-	-	5.64	-	-
Total dividends (AU cents per share)	-	-	0.76	-	-

* After deducting the $0.0564 per share return of capital to shareholders on 26 June 2015.

Details of remuneration

The following table shows details of the remuneration received by Directors and executives of the Group for the current and previous financial year.

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

		Fixed remuneration					Variable remuneration		Total
	Year	Salary and fees A$	Annual and long service leave A$	Super-annuation A$	Other benefits (ii) A$	Termination benefits A$	Cash bonus A$	Performance rights (i) A$	A$
Directors									
Mr J Jetter (iii)	2017	125,000	-	-	-	-	-	-	125,000
	2016	111,875	-	-	-	-	-	-	111,875
Mr R Crabb (iv)	2017	-	-	-	-	-	-	-	-
	2016	47,565	-	4,519	-	-	-	-	52,084
Mr M Allen	2017	445,000	14,512	30,000	1,429	-	-	73,316	564,257
	2016	453,241	34,092	30,000	5,263	-	86,758	108,883	718,237
Mr I Macliver	2017	77,626	-	7,374	-	-	-	-	85,000
	2016	77,626	-	7,374	-	-	-	-	85,000
Mr I Boserio	2017	51,447	-	23,553	-	-	-	-	75,000
	2016	68,493	-	6,507	-	-	-	-	75,000
Mr R Bomasang (v)	2017	-	-	-	-	-	-	-	-
	2016	101,545	-	-	-	-	-	-	101,545
Total Director remuneration	2017	699,073	14,512	60,927	1,429	-	-	73,316	849,257
	2016	860,345	34,092	48,400	5,263	-	86,758	108,883	1,143,741
Executives									
Mr P Senycia	2017	346,000	31,820	35,000	1,020	-	-	73,316	487,156
	2016	401,888	20,715	35,000	1,248	-	86,986	108,883	654,720
Mr D Rich (vi)	2017	101,887	3,061	9,679	907	-	-	-	115,534
	2016	-	-	-	-	-	-	-	-
Mr C Hasson (vii)	2017	185,500	(17,025)	24,231	1,441	132,370	-	(54,298)	272,219
	2016	237,523	19,919	27,600	1,557	-	53,000	67,082	406,681
Mr M Worner (viii)	2017	320,000	6,710	30,400	1,754	86,115	-	19,822	464,801
	2016	325,347	16,651	30,000	1,545	-	52,077	21,997	447,617
Total executive remuneration	2017	953,387	24,566	99,310	5,122	218,485	-	38,840	1,339,710
	2016	964,758	57,285	92,600	4,350	-	192,063	197,962	1,509,018
Total	2017	1,652,460	39,078	160,237	6,551	218,485	-	112,156	2,188,967
	2016	1,825,103	91,377	141,000	9,613	-	278,821	306,845	2,652,759

(i) Performance rights have been valued using a hybrid Monte Carlo and Hull-White model. Further details of the Performance Rights Plan is contained in the Remuneration Report on pages 38 to 41 and Note 20.
(ii) Car parking provided by the Company.
(iii) Mr J Jetter was appointed as non-executive Chairman on 25 November 2015.
(iv) Mr R Crabb resigned as non-executive Chairman on 25 November 2015.
(v) Mr R Bomasang resigned as non-executive Director on 25 November 2015.
(vi) Mr D Rich appointed as Chief Financial Officer and Company Secretary on 28 February 2017 and 31 January 2017 respectively.
(vii) Mr C Hasson ceased as Chief Financial Officer on 28 February 2017. Share-based payment expense is negative due to reversal on cessation of employment.
(viii) Mr M Worner ceased as Commercial Manager on 1 July 2017.

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

	Fixed and other		At risk – STI		At risk – LTI (i)	
	2017	2016	2017	2016	2017	2016
Directors						
Mr J Jetter	100%	100%	-	-	-	-
Mr R Crabb (ii)	-	100%	-	-	-	-
Mr M Allen	87%	73%	-	12%	13%	15%
Mr I Macliver	100%	100%	-	-	-	-
Mr I Boserio	100%	100%	-	-	-	-
Mr R Bomasang (iii)	-	100%	-	-	-	-
Executives						
Mr P Senycia	85%	70%	-	13%	15%	17%
Mr D Rich (iv)	100%	-	-	-	-	-
Mr C Hasson (v)	120%	71%	-	13%	(20%)	16%
Mr M Worner	95%	83%	-	12%	5%	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 R Crabb resigned as non-executive Chairman on 25 November 2015.
(iii) Mr R Bomasang resigned as non-executive Director on 25 November 2015.
(iv) Mr D Rich was appointed as Chief Financial Officer and Company Secretary on 28 February 2017 and 31 January 2017 respectively.
(v) Mr C Hasson ceased as Chief Financial Officer on 28 February 2017. At risk - LTI is negative due to reversal of share-based payments on cessation of employment.

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 other executives are also formalised in service agreements. Each of these service agreements provide for the provision of performance related cash bonuses, and participation, when eligible, in the Otto Energy Limited Performance Rights and Employee Share Option Plans. 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*	1 January 2016	$381,000	3 months base salary
Mr David Rich *Chief Financial Officer and Company Secretary*	9 January 2017	$150,000 (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 2017; 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) Mr Rich's contract (and hence base salary) is based on 50% of full time with additional hours paid on a pro-rata basis.

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. Details of vesting periods are set out at Note 20. 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 at 30 June 2017 are set out in the following table. No performance rights were granted in the year to 30 June 2017.

Year ended 30 June 2017 – TSR based performance rights

Measurement date	1 February 2017 (i)	1 February 2018	1 February 2019	1 February 2017 (i)	1 February 2018	1 February 2019	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
Expiry date	31 December 2017 (ii)	31 December 2017 (ii)	31 December 2017 (ii)	31 December 2019	31 December 2019	31 December 2019	31 December 2018
Rights on issue at year end:							
Mr M Allen	-	-	-	766,667	766,667	766,666	800,000
Mr P Senycia	-	-	-	766,667	766,667	766,666	800,000
Mr M Worner	466,667	466,667	466,666	-	-	-	-
Total rights on issue at year end	466,667	466,667	466,666	1,533,334	1,533,334	1,533,332	1,600,000
Share price at grant date – A$	0.06	0.06	0.06	0.11	0.11	0.11	0.09
Expected volatility	65.2%	60.4%	57.8%	47.7%	51.2%	51.2%	53.2%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Risk free rate	1.96%	1.96%	1.96%	1.95%	1.90%	1.90%	2.60%
Fair value – A$	0.04	0.04	0.04	0.06	0.07	0.07	0.06
Total value – A$	18,667	18,667	18,667	92,000	107,333	107,333	96,000

(i) The measurement date has been rolled forward to 1 February 2018 for the rights on issue at year end except for those held by Mr M Worner that will be tested at expiry on 31 December 2017 being six months following cessation of employment.
(ii) Expiry date of rights granted to Mr M Worner amended following his resignation on 1 July 2017.

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	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 at year end:									
Mr M Allen	-	-	-	766,667	766,667	766,666	800,000 (i)	800,000 (i)	800,000
Mr P Senycia	-	-	-	766,667	766,667	766,666	800,000 (i)	800,000 (i)	800,000
Mr C Hasson	-	-	-	466,667 (ii)	466,667 (ii)	466,666 (ii)	500,000 (i)	500,000 (i)	500,000 (ii)
Mr M Worner	466,667	466,667	466,666	-	-	-	-	-	-
Total rights on issue at year end	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 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
Total value – A$	18,667	18,667	18,667	120,000	140,000	140,000	105,000	105,000	126,000

(i) These rights vested during the 2017 financial year.
(ii) These rights were forfeited when Mr C Hasson resigned on 28 February 2017.

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 Group, 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 and executives of Otto Energy Limited as part of compensation during the year ended 30 June 2017 is set out below.

Key Management Personnel	Balance at start of year	Granted as compensation	Vested and exercised	Lapsed/ expired	Balance at end of year
Directors					
Mr J Jetter	-	-	-	-	-
Mr M Allen	4,700,000	-	(1,600,000)	-	3,100,000
Mr I MacIiver	-	-	-	-	-
Mr I Boserio	-	-	-	-	-
	4,700,000	-	(1,600,000)	-	3,100,000
Executives					
Mr P Senycia	4,700,000	-	(1,600,000)	-	3,100,000
Mr D Rich	-	-	-	-	-
Mr C Hasson	2,900,000	-	(1,000,000)	(1,900,000)	-
Mr M Worner	1,400,000	-	-	-	1,400,000
	9,000,000	-	(2,600,000)	(1,900,000)	4,500,000

Options over equity instruments granted

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

Shareholding

The number of shares in the Company held during the financial year by key management personnel of the Group, including their personally related parties, is set out below:

Key Management Personnel	Balance at start of year	Granted/ purchased during the year	Received through conversion of performance rights during the year	Sold during the year	Balance at end of year
Directors					
Mr J Jetter	16,089,175	500,000	-	-	16,589,175
Mr M Allen	3,643,000	-	1,600,000	-	5,243,000
Mr I MacIiver	4,549,721	-	-	-	4,549,721
Mr I Boserio	-	-	-	-	-
	24,281,896	500,000	1,600,000	-	26,381,896
Executives					
Mr P Senycia	1,600,000	-	1,600,000	(1,600,000)	1,600,000
Mr D Rich	-	-	-	-	-
Mr C Hasson	-	-	1,000,000	-	1,000,000 (i)
Mr M Worner	-	-	-	-	-
	1,600,000	-	2,600,000	(1,600,000)	2,600,000

(i) Mr C Hasson's closing balance is as at 28 February 2017 being his last day of employment.

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 (2016: nil).

Diversity

Proportion of women employees at 30 June 2017

	Number	Proportion
Whole organisation*	2/10	20%
Senior executive positions	0/4	0%
Board	0/4	0%

*Includes three non-executive Directors

Performance rights

Date granted	Date of expiry	Number
3 October 2014	31 December 2018	1,620,000
23 April 2015	31 December 2019	4,650,000
14 August 2015	31 December 2017	1,400,000
		7,670,000

No performance right holder has any right under the performance rights to participate in any other share issue of the Company or any other entity. There were no options on issue at 30 June 2017.

No options or performance rights were granted as remuneration to key management personnel during the year. Details of performance rights and options granted to key management personnel are disclosed on pages 38 to 40.

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

Mr I Macliver
Director

18 September 2017

AUDITOR'S INDEPENDENCE DECLARATION

FOR THE YEAR ENDED 30 JUNE 2017

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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 2017, 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.

JPrue

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 18 September 2017

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 US$'000	2016 US$'000
Revenue and other income	2	139	27,093
Profit on disposal of property, plant and equipment		2	13
Exploration expenditure	3	(905)	(41,479)
Finance costs	4	(48)	-
Administration and other expenses	4	(4,374)	(5,711)
Loss before income tax		**(5,186)**	**(20,084)**
Income tax expense	6	(61)	(2)
Loss after income tax for the year		**(5,247)**	**(20,086)**
Other comprehensive income that may be recycled to profit or loss			
Total other comprehensive income		-	-
Total comprehensive loss for the year		**(5,247)**	**(20,086)**
Earnings per share			
Basic loss per share (US cents)	5	(0.44)	(1.70)
Diluted loss per share (US cents)	5	(0.44)	(1.70)

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 2017

	Note	2017 US$'000	2016 US$'000
Current assets			
Cash and cash equivalents	7	12,199	20,309
Trade and other receivables	9	116	107
Other assets	10	384	414
Total current assets		**12,699**	**20,830**
Non-current assets			
Oil and gas properties	11	6,272	2,717
Property, plant and equipment	12	28	73
Other assets	10	475	-
Total non-current assets		**6,775**	**2,790**
Total assets		**19,474**	**23,620**
Current liabilities			
Trade and other payables	13	1,611	722
Provisions	14	317	197
Total current liabilities		**1,928**	**919**
Non-current liabilities			
Provisions	14	241	224
Total non-current liabilities		**241**	**224**
Total liabilities		**2,169**	**1,143**
Net assets		**17,305**	**22,477**
Equity			
Contributed equity	15	81,895	81,895
Reserves	16	13,737	13,662
Accumulated losses		(78,327)	(73,080)
Total equity		**17,305**	**22,477**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

	Contributed equity	Share-based payments reserve	Foreign currency translation reserve	Accumulated losses	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 July 2015	81,104	9,222	4,188	(52,994)	41,520
Loss for the period	-	-	-	(20,086)	(20,086)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(20,086)	(20,086)
Transactions with owners in their capacity as owners:					
Equity benefits issued to employees	-	252	-	-	252
Shares issued as consideration for the acquisition of Borealis Petroleum Pty Ltd	791	-	-	-	791
Balance at 30 June 2016	81,895	9,474	4,188	(73,080)	22,477
Balance at 1 July 2016	81,895	9,474	4,188	(73,080)	22,477
Loss for the period	-	-	-	(5,247)	(5,247)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(5,247)	(5,247)
Transactions with owners in their capacity as owners:					
Equity benefits issued to employees	-	75	-	-	75
Balance at 30 June 2017	81,895	9,549	4,188	(78,327)	17,305

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 ENDED 30 JUNE 2017

	Note	2017 US$'000	2016 US$'000
Cash flows from operating activities			
Funds received from BHPB and Pryce Gases for Hawkeye Well		-	26,042
Receipts from recharges to joint venture		-	942
Payments to suppliers and employees		(4,232)	(4,554)
Payments for exploration and evaluation		(659)	(41,150)
Interest received		113	82
Income tax paid		(61)	(2)
Other income		24	-
Net cash outflow from operating activities	8	**(4,815)**	**(18,640)**
Cash flows from investing activities			
Payments for property, plant and equipment		(4)	(6)
Proceeds from sale of property, plant and equipment		2	34
Payments for development and evaluation		(2,896)	(2,277)
Bond for development asset		(175)	-
Net cash outflow from investing activities		**(3,073)**	**(2,249)**
Cash flows from financing activities			
Transaction costs relating to convertible notes issue		(225)	-
Net cash outflow from financing activities		**(225)**	**-**
Net decrease in cash and cash equivalents		(8,113)	(20,889)
Cash and cash equivalents at the beginning of the financial year		20,309	41,206
Effects of exchange rate changes on cash		3	(8)
Cash and cash equivalents at the end of the financial year	7	**12,199**	**20,309**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

ABOUT THIS REPORT

Otto Energy Limited (referred to as 'Otto' or the 'Company') is a for-profit entity limited by shares, incorporated and domiciled in Australia. Its shares are publicly traded on the Australian Securities Exchange. The nature of operations and principal activities of Otto and its subsidiaries (referred to as the 'Group') are described in the Directors' Report.

The consolidated general purpose financial report of the Group was authorised for issue in accordance with a resolution of the Directors on 18 September 2017.

Basis of preparation

The financial report is a general purpose financial report which:

- has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- has been prepared on a historical cost basis, except for certain financial instruments which have been measured at fair value;
- presents reclassified comparative information where required for consistency with the current year's presentation; and
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the Group and effective for reporting periods beginning on or before 1 July 2016. Refer to note 27 for further details.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group. A list of controlled entities (subsidiaries) is contained in note 18.

Subsidiaries are consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date that control ceases. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profits and losses resulting from intra-group transactions have been eliminated.

Currency

Items included in the financial statements of each of the Group'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.

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.

Rounding of amounts

The amounts contained in these financial statements have been rounded to the nearest thousand dollars ($'000) unless otherwise stated, in accordance with ASIC Instrument 2016/191.

ABOUT THIS REPORT (continued)

Other accounting policies

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the consolidated financial statements.

Key estimates and judgements

In applying the Group's accounting policies, management has made a number of judgements and applied estimates of future events. Judgements and estimates which are material to the financial report are found in the following notes:

- Note 6 Income tax
- Note 11 Oil and gas properties
- Note 14 Provisions
- Note 20 Share-based payments

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

FINANCIAL PERFORMANCE

1. Segment information

The Group has identified its operating segments based on the internal management reports that are reviewed and used by the executive management team in assessing performance and in determining the allocation of resources. The operating segments identified by management are based on the geographical locations of the business which are as follows: Australia, Gulf of Mexico (USA), Alaska (USA) and Other. Discrete financial information about each of these operating segments is reported to the executive management team on at least a monthly basis.

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, the Group had four reportable segments during 2017.

The prior year financial statements included Tanzania and Philippines as reportable segments due to ongoing operations in those countries, however during 2017 the Group did not actively operate in the Philippines and only undertook minor work in Tanzania as there were disputes within the joint venture that led to the Group withdrawing from the Kilosa-Kilombero JOA in May 2017. The Pangani PSA expired in February 2017. As the primary focus of the Board and management in 2017 is on the Gulf of Mexico and Alaska, these are considered the reportable segments. The prior year comparatives have been restated to reflect the 2017 reportable segments.

The segment information for the reportable segments for the year ended 30 June 2017 is as follows:

2017	**Australia**	**Gulf of Mexico (USA)**	**Alaska (USA)**	**Other**	**Consolidated**
	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue and other income	137	-	-	2	139
Profit on disposal of property, plant and equipment	2	-	-	-	2
Exploration expenditure	-	(366)	(267)	(272)	(905)
Finance costs	(40)	(8)	-	-	(48)
Administration and other expenses	(2,756)	(964)	(31)	(623)	(4,374)
Loss before income tax	**(2,657)**	**(1,338)**	**(298)**	**(893)**	**(5,186)**
Income tax expense	-	-	-	(61)	(61)
Loss after income tax for the year	**(2,657)**	**(1,338)**	**(298)**	**(954)**	**(5,247)**
Total non-current assets	328	6,447	-	-	6,775
Total assets	12,848	6,447	7	172	19,474
Total liabilities	660	1,225	10	274	2,169

1. Segment information (continued)

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

2016	Australia	Gulf of Mexico (USA)	Alaska (USA)	Other	Consolidated
	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue and other income	1,039	-	-	26,054	27,093
Profit on disposal of property, plant and equipment	12	-	-	1	13
Exploration expenditure	-	(7,897)	(14,910)	(18,672)	(41,479)
Administration and other expenses	(2,782)	(230)	(66)	(2,633)	(5,711)
Loss before income tax	**(1,731)**	**(8,127)**	**(14,976)**	**4,750**	**(20,084)**
Income tax expense	-	-	-	(2)	(2)
Loss after income tax for the year	**(1,731)**	**(8,127)**	**(14,976)**	**4,748**	**(20,086)**
Total non-current assets	73	2,717	-	-	2,790
Total assets	20,548	2,717	-	355	23,620
Total liabilities	452	470	-	221	1,143

2. Revenue and other income

	2017 US$'000	2016 US$'000
Interest income	113	82
BHPB reimbursed for Hawkeye expenditure	-	23,732
Farm in option with Pryce Gases	-	2,310
Other income	26	969
	139	27,093

Recognition and measurement
Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when it can be reliably measured and when it is probable that economic benefits will flow to the Group.

Interest income is recognised using the effective interest rate method.

3. Exploration expenditure

	2017 US$'000	2016 US$'000
Exploration expenditure – Gulf of Mexico - Louisiana	366	7,897
Exploration expenditure – Alaska North Slope	267	447
Acquisition costs of Borealis – Alaska North Slope (i)	-	14,463
Exploration expenditure – Philippines	194	17,290
Exploration expenditure – Tanzania	78	1,382
	905	41,479

(i) During the 2016 financial year, Otto acquired an 8% and 10.8% working interest in two areas of the Alaska North Slope exploration acreage held by Great Bear. Refer to Note 15(a).

3. Exploration expenditure (continued)

Recognition and measurement

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 Consolidated Statement of Financial Position as oil and gas properties.

4. Other expenses

	2017 US$'000	2016 US$'000
Finance costs		
Amortisation of borrowing costs	40	-
Accretion of decommissioning fund	8	-
Total finance costs	48	-
Administration and other expenses		
Employee benefits expense		
Defined contribution superannuation expense	178	160
Share-based payment expense	75	252
Other employee benefits expenses	2,108	2,430
	2,361	2,842
Depreciation expense		
Depreciation expense – furniture and equipment	48	88
	48	88
Other expenses		
Corporate and other costs (net of recharges)	1,417	2,339
Business development	498	412
Foreign currency losses	50	30
	1,965	2,781
Total administration and other expenses	4,374	5,711

5. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity (other than dividends), by the weighted average number of ordinary shares, adjusted for the bonus element.

Diluted earnings per share adjusts 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.

5. Earnings per share (continued)

The following table reflects the income and share data used in the basic and diluted EPS calculations:

	2017	2016
Loss attributable to owners of the Company (US$'000)	(5,247)	(20,086)
Weighted average number of ordinary shares on issue for basic and diluted loss per share (number)	1,183,556,077	1,179,788,145
Basic and diluted loss per share (US cents)	(0.44)	(1.70)

Due to the Company reporting a loss for the 2017 and 2016 financial years, the impact of potential shares are not included in calculating diluted EPS because they are anti-dilutive.

6. Income tax

	2017 US$'000	2016 US$'000
The components of tax expense comprise:		
Current tax	7	2
Deferred tax – origination and reversal of temporary differences	-	-
Prior period under/(over) provision	54	-
	61	2
Reconciliation of income tax expense to prima facie tax payable:		
Loss before income tax	(5,186)	(20,084)
Prima facie income tax at 30%	(1,556)	(6,025)
Difference in overseas tax rates	2,041	(4,391)
Non-assessable income	(1,980)	(7,173)
Tax effect of amounts not deductible in calculating taxable income	585	2,727
Benefit of deferred tax assets not brought to account	917	14,864
Prior period under/(over) provision	54	-
Income tax expense	61	2
Deferred tax assets		
Other temporary differences	6,052	6,804
	6,052	6,804
Tax losses - revenue	903	5,843
Tax losses - foreign	4,708	10,732
	11,663	23,379
Offset against deferred tax liabilities recognised	(1,446)	(1,078)
Deferred tax assets not brought to account	(10,217)	(22,301)
Deferred tax assets brought to account	-	-

6. Income tax (continued)

	2017 US$'000	2016 US$'000
Deferred tax liabilities		
Other temporary differences	1,446	1,078
Offset by deferred tax assets recognised	(1,446)	(1,078)
Deferred tax liabilities brought to account	-	-

Recognition and measurement

The income tax expense 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.

Key estimates and judgements

The Group 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 Group estimates its tax liabilities based on the Group'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 Group 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.

	2017 US$'000	2016 US$'000
7. Cash and cash equivalents		
Cash at bank and on hand	12,199	20,309
	12,199	20,309

Recognition and measurement

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and 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.

Cash at bank earns interest at floating rates based on daily bank deposit rates.

	2017 US$'000	2016 US$'000
8. Reconciliation of loss after income tax to net cash outflow from operating activities		
Loss after income tax	(5,247)	(20,086)
Non-cash items:		
Depreciation expense – furniture and equipment	48	88
Acquired exploration and working capital through issue of shares	-	791
Share-based payments	75	252
Amortisation of borrowing costs	40	-
Accretion of decommissioning fund	8	-
Other non-cash items	(5)	(28)
Change in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(9)	1
Decrease in other assets	30	182
Decrease in inventories	-	2,422
Increase/(decrease) in trade and other payables	271	(2,326)
(Decrease)/increase in provisions	(26)	64
Net cash outflow from operating activities	(4,815)	(18,640)

OPERATING ASSETS AND LIABILITIES

9. Trade and other receivables

	2017 US$'000	2016 US$'000
Other receivables	916	107
Allowance for doubtful debts [(i)]	(800)	-
	116	107

Recognition and measurement

Other receivables are initially recognised at fair value and subsequently measured at amortised cost less an allowance for uncollectible amounts.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Group will not be able to collect the debt. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment.

(i) Included in other receivables in 2017 is $0.8 million receivable from Swala Oil and Gas (Tanzania) Plc relating to settlement of the various claims and disputes concerning the Pangani licence. This amount has been fully provided for as the amount was due on 31 August 2017, but had not been received as at the date of this report.

10. Other assets

	2017 US$'000	2016 US$'000
Current		
Prepayments	73	102
Other assets	311	312
	384	414
Non-current		
Convertible note transaction costs [(i)]	300	-
Bonds	175	-
	475	-

(i) Represents transaction costs incurred before year end in relation to $8.2 million of secured convertible notes issued subsequent to year end (refer Note 25). This amount will be offset against the convertible note liability upon issue of the note subsequent to year end.

Recognition and measurement

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 Group 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 Group has transferred substantially all the risks and rewards of ownership.

10. Other assets (continued)

Impairment of financial assets

The Group 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.

11. Oil and gas properties

	2017 US$'000	2016 US$'000
Development and evaluation assets		
At cost		
Balance at beginning of year	2,717	-
Expenditure for the year	3,555	2,717
Balance at end of year	6,272	2,717

All capitalised development and evaluation costs as at 30 June 2017 relate to the SM 71 oil development in the Gulf of Mexico (including provision for decommissioning).

Recognition and measurement

i) Producing and development 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 decommissioning, 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.

Once an exploration discovery has been determined, subsequent evaluation and development expenditure is capitalised to the Consolidated Statement of Financial Position as oil and gas properties as it is probable that future economic benefits associated with the item will flow to the Group. Once such costs are capitalised as oil and gas properties, they will be tested for impairment and assessed for impairment indicators for periods thereafter.

The carrying value of oil and gas properties is reviewed annually by directors to ensure it is not in excess of the recoverable amount. This assessment is based on key estimates, the most significant of which are estimated hydrocarbon reserves, future production profiles, commodity prices, operating costs and any future development costs necessary to produce the reserves.

ii) Prepaid drilling and completion costs

Where the Company has a non-operated 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.

11. Oil and gas properties (continued)

Recognition and measurement (continued)

ii) Prepaid drilling and completion costs (continued)

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 Group uses the units of production (UOP) approach when amortising and depreciating field-specific assets. Using this method of amortisation and depreciation requires the Group 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 project 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.

Key estimates and judgements

Carrying value of oil and gas assets

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

Assets are tested for impairment in line with the accounting policies disclosed in Note 11(i) 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).

At 30 June 2017, the Group has assessed the SM 71 cash-generating unit and determined that no impairment indicators existed.

12. Property, plant and equipment

Recognition and measurement

Property, plant and equipment 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, net of their residual values, over their estimated useful lives. 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.

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

13. Trade and other payables

	2017 US$'000	**2016** US$'000
Trade payables	1,611	722
	1,611	722

Recognition and measurement

Trade payables are initially recognised at their fair value and subsequently measured at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and generally paid within 30 days of recognition.

14. Provisions

	2017 US$'000	**2016** US$'000
Current		
Employee benefits	197	197
Decommissioning fund (ii)	120	-
	317	197
Non-current		
Employee benefits (i)	3	29
Decommissioning fund (ii)	238	195
	241	224

(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 SM 6 and SM 71. The expenditure is expected to be settled at the end of the field life for the 2P production profile for SM 71 and in 2017 for SM 6.

14. Provisions (continued)

Recognition and measurement

Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Contributions to superannuation plans are expensed when incurred.

Decommissioning fund

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, it is probable that the Group will be required to settle the obligation and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. The unwinding of the discount is expensed as incurred and recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as a finance cost.

Provision is made 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. The Group accounts for changes in cost estimates on a prospective basis.

Key estimates and judgements

Decommissioning costs will be incurred by the Group at the end of the operating life of some of the Group's facilities and properties. The Group 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.

CAPITAL STRUCTURE, FINANCIAL INSTRUMENTS AND RISK

15. Contributed equity

a) Share capital

	2017 Number	2016 Number	2017 US$'000	2016 US$'000
Balance at beginning of year	1,181,908,323	1,164,290,071	81,895	81,104
Shares issued on exercise of performance rights	4,390,001	100,002	-	-
Fully paid ordinary shares issued (i)	-	17,518,250	-	791
Balance at end of year	1,186,298,324	1,181,908,323	81,895	81,895

(i) On 12 August 2015, 17,518,250 fully paid ordinary shares were issued at AUD$0.0685 per share as 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 20.

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 20.

Recognition and measurement

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.

	2017 US$'000	2016 US$'000
16. Reserves		
Share-based payments reserve	9,549	9,474
Foreign currency translation reserve	4,188	4,188
	13,737	13,662
Share-based payments reserve		
Balance at beginning of year	9,474	9,222
Share-based payment expense	75	252
Balance at end of year	9,549	9,474
Foreign currency translation reserve		
Balance at beginning of year	4,188	4,188
Balance at end of year	4,188	4,188

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 20 for further details of these plans.

The foreign currency translation reserve is used to record currency differences arising from the translation of the financial statements of foreign operations.

17. Financial instruments

The Group is exposed to market risk, credit risk and liquidity risk. The Group'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 Group. The Group 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 controls. Risk management is carried out by the senior executives under these policies which have been approved by the Board. Management identifies, evaluates and, if necessary, hedges financial risks within the Group'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.

a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk for the Group comprises three types of risk: currency risk, interest rate risk and commodity price risk.

17. Financial instruments (continued)

a) Market risk (continued)

i) Currency risk

The Group's source currency for the majority of revenue and costs is in US dollars. Given the location of the group's offices and operations there is a small exposure to foreign exchange risk arising from the fluctuations in the US dollar and Australian dollar on cash balances and monetary items at year end.

Currency risk arises where the value of a financial instrument or monetary item fluctuates due to changes in foreign currency. The exposure to currency risk is measured using sensitivity analysis and cash flow forecasting.

The Board has formed the view that it would not be beneficial for the Group to purchase forward contracts or other derivative financial instruments to hedge this currency 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 monetary items denominated in a currency which is not US dollars.

A hypothetical change of 10% (2016: 10%) in the Australian dollar exchange rate was used to calculate the Group'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. At 30 June 2017, management has assessed that the entity's exposure to foreign exchange movements is immaterial and therefore no further analysis is provided.

ii) Interest rate risk

Interest rate risk is the risk that the Group's financial position will fluctuate due to changes in market interest rates. The Group's exposure to the risk of changes in the market interest rates relates to cash and cash equivalents held with financial institutions. The convertible notes facility that the Group has entered into subsequent to year end has a fixed interest rate so is not exposed to interest rate risk.

The financial instruments exposed to movements in variable interest rates are as follows:

	2017	**2016**
	US$'000	US$'000
Cash and cash equivalents	12,199	20,309
	12,199	20,309

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date. The 1.0% sensitivity is based on reasonably possible changes, over a financial year, using an observed range of historical short term deposit rate movements over the last 3 years.

Judgements of reasonably possible movements	**Effect on post tax losses Increase/(decrease)**	
	2017	**2016**
	US$'000	US$'000
Increase 100 basis points	122	203
Decrease 100 basis points	(122)	(203)

17. Financial instruments (continued)

a) Market risk (continued)

iii) Commodity price risk

As the Group is currently not generating revenue from oil and gas production it is not directly exposed to commodity price risk. However during the year the Group has invested in the SM 71 oil development in the Gulf of Mexico, USA and will continue to invest in the development with production expected to commence in January 2018. Upon the commencement of production, the Group's revenue will be exposed to oil price fluctuations.

Exposure to oil price risk is measured by monitoring and stress testing the Group's forecast financial position against sustained periods of low oil prices. This analysis is regularly performed on the Group's portfolio and, as required, for discrete projects and acquisitions.

Commodity hedging may be undertaken where the Board of Directors determines that a hedging strategy is appropriate to mitigate potential periods of adverse movements in commodity price. This will be balanced against the desire to expose shareholders to oil price upside. Commodity hedging may also be undertaken when there is a hedging requirement under a lending facility.

b) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligation under a financial instrument that will result in a financial loss to the Group. Credit risk arises from the financial assets of the Group, which comprise trade and other receivables and deposits with banks and financial institutions.

To manage credit risk from cash and cash equivalents, it is the Group's policy to only deposit with banks maintaining a minimum independent rating of 'AA', 'A+' or 'A-'. Production is expected to commence at SM 71 in January 2018 and the Group intends to only sell oil and gas to creditworthy customers and counterparties.

Receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts in the ordinary course of business is not significant.

The maximum exposure to credit risk at reporting date was as follows:

	2017 US$'000	**2016** US$'000
Cash and cash equivalents	12,199	20,309
Trade and other receivables	116	107
	12,315	20,416

c) Liquidity risk

Liquidity risk is the risk that Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

It is the policy of the Board to ensure that the Group is able to meet its financial obligations and maintain the flexibility to pursue attractive investment opportunities through the Group maintaining sufficient working capital and access to further funding when required through debt, equity or other means.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows with scenario analysis. As at reporting date the Group had sufficient cash reserves to meet its current requirements.

17. Financial instruments (continued)

c) Liquidity risk (continued)

The contractual maturity analysis of payables at the reporting date was as follows:

	Total	Less than 1 year	Between 1-2 years	Between 2-5 years
	US$'000	US$'000	US$'000	US$'000
Trade and other payables				
2017	1,611	1,611	-	-
2016	722	722	-	-

Capital risk management
The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the potential return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group is entirely equity at year end (2016: 100% equity). In determining the funding mix of debt and equity (total borrowings/total equity), consideration is given to the relative impact of the gearing ratio on the ability of the Group to service 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 ratio is 0% as at 30 June 2017 (2016: 0%). Subsequent to year end, the Group has raised $8.2 million through the issue of convertible notes. Refer to Note 25 for further details.

The Group may consider raising capital when an opportunity to invest in a business or company was seen as value adding relative to the company's current share price at the time of the investment.

OTHER DISCLOSURES

18. Subsidiaries

Significant investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries:

Subsidiaries of Otto Energy Limited	Country of incorporation	Functional currency	Class of shares	Equity holding [i]	
				2017 (%)	2016 (%)
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
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	100
Borealis Alaska LLC	USA	USD	Ordinary	100	100
Otto Energy (USA) Inc	USA	USD	Ordinary	100	100
Otto Energy (Louisiana) LLC	USA	USD	Ordinary	100	100
Otto Energy (Gulf One) LLC [ii]	USA	USD	Ordinary	100	-
Otto Energy (Gulf Two) LLC [ii]	USA	USD	Ordinary	100	-

[i] The proportion of ownership interest is equal to the proportion of voting power held.
[ii] Otto Energy (Gulf One) LLC and Otto Energy (Gulf Two) LLC were incorporated on 26 April 2017.

19. Interest in joint operations

a) Joint operations

The Group'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.

The Group's interest in joint arrangement assets is detailed below. Exploration is the principal activity performed across these assets.

		2017	2016
Asset	Country	Group interest	Group interest
South Marsh Island 70/71	USA	50%	50%
Bivouac Peak	USA	45% (i)	45%
Onshore North Slope	USA	8 – 10.8%	8 – 10.8%
Service Contract 55	Philippines	68.18% (ii)	68.18%
Kilosa-Kilombero	Tanzania	- (iii)	50%
Pangani	Tanzania	- (iv)	50%

(i) Otto has the right to earn a 45% working interest in the Bivouac Peak lease by drilling 1 exploration well.
(ii) As at 30 June 2017, an agreement has been signed to transfer the permit to existing joint venture partners but this has not yet been approved by the DOE.
(iii) Under an agreement signed on 25 May 2017, Otto Energy (Tanzania) Pty Ltd (OET) withdrew from the Kilosa-Kilomero joint venture and Swala Oil and Gas (Tanzania) PLC assumed the rights and obligations in respect of OET's 50% participating interest.
(iv) Pangani PSA expired on 20 February 2017.

b) Commitments through joint operations

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

	2017 US$'000	2016 US$'000
Exploration expenditure commitments – not later than 1 year	2,600	8,600
Capital expenditure commitments – not later than 1 year	2,956	-
	5,556	8,600

20. 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 and again at the 2016 Annual General Meeting. The Employee Share 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. 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.

20. Share-based payments (continued)

a) Employee share option plan (continued)

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

Grant date	Expiry date	Exercise price A$	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired/ forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
2017								
2 Dec 2013	2 Dec 2016	0.0549	8,000,000	-	-	(8,000,000)	-	-
Weighted average exercise price – A$			0.055				-	-
2016								
2 Dec 2013	2 Dec 2016	0.0549	8,000,000	-	-	-	8,000,000	8,000,000
Weighted average exercise price – A$			0.055				0.055	0.055

The Company has not granted any options during the 2017 or 2016 financial years. During the year ended 30 June 2017, 8,000,000 (2016: nil) options expired.

The weighted average remaining contractual life of share options outstanding at 30 June 2017 was nil (2016: 0.42 years).

b) Performance rights

The Performance Rights Plan was approved by shareholders at the 2013 Annual General Meeting and again at the 2016 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. If the vesting condition is not met on a measurement date (no rights vest), the performance rights will not lapse and will continue to exist as unvested performance rights to be retested at the next measurement date or expiry date, whichever is later. Performance rights are granted under the plan for no consideration.

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

20. Share-based payments (continued)

b) Performance rights (continued)

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

2017		Fair value on date of issue	Balance at start of the year	Rights issued during the year	Exercised/ vested	Lapsed/ expired	Balance at end of the year
Grant date	**Expiry date**	**A$**	**Number**	**Number**	**Number**	**Number**	**Number**
3 Oct 2014	31 Dec 2018	0.05	4,500,000	-	(4,286,667)	(203,333)	10,000
3 Oct 2014	31 Dec 2018	0.06	2,299,998	-	(43,333)	(646,665)	1,610,000
23 Apr 2015	31 Dec 2019	0.06	2,079,170	-	-	(535,836)	1,543,334
23 Apr 2015	31 Dec 2019	0.07	4,237,497	-	-	(1,140,831)	3,096,666
23 Apr 2015	31 Dec 2019	0.08	79,167	-	-	(69,167)	10,000
23 Apr 2015	31 Dec 2019	0.09	79,166	-	(60,001)	(19,165)	-
14 Aug 2015	31 Dec 2017 (i)	0.04	1,400,000	-	-	-	1,400,000
Total			14,674,998	-	(4,390,001)	(2,614,997)	7,670,000
Weighted average exercise price – A$			0.058	-	0.051	0.064	0.060

(i) Expiry date of rights granted to M.Worner amended per the plan rules following cessation of his employment on 1 July 2017.

2016		Fair value on date of issue	Balance at start of the year	Rights issued during the year	Exercised/ vested	Lapsed/ expired	Balance at end of the year
Grant date	**Expiry date**	**A$**	**Number**	**Number**	**Number**	**Number**	**Number**
3 Oct 2014	31 Dec 2018	0.05	4,700,000	-	-	(200,000)	4,500,000
3 Oct 2014	31 Dec 2018	0.06	2,433,330	-	-	(133,332)	2,299,998
3 Oct 2014	31 Dec 2018	0.07	166,670	-	(100,002)	(66,668)	-
23 Apr 2015	31 Dec 2019	0.06	2,079,170	-	-	-	2,079,170
23 Apr 2015	31 Dec 2019	0.07	4,237,497	-	-	-	4,237,497
23 Apr 2015	31 Dec 2019	0.08	79,167	-	-	-	79,167
23 Apr 2015	31 Dec 2019	0.09	79,166	-	-	-	79,166
14 Aug 2015	31 Dec 2019	0.04	-	1,400,000	-	-	1,400,000
Total			13,775,000	1,400,000	(100,002)	(400,000)	14,674,998
Weighted average exercise price – A$			0.060	0.040	0.070	0.057	0.058

20. Share-based payments (continued)

b) Performance rights (continued)

The fair value of the performance rights granted under the Plan is estimated at the date of grant using the Black-Scholes valuation model. The following table lists inputs to the models used for the year ended 30 June 2016.

Total Return on Shareholders ('TSR') based performance rights

Measurement date	1 Feb 2017	1 Feb 2018	1 Feb 2019
Grant date	14 Aug 2015	14 Aug 2015	14 Aug 2015
Expiry date	31 Dec 2017	31 Dec 2017	31 Dec 2017
Share price at grant date – A$	0.06	0.06	0.06
Expected volatility	65.2%	60.4%	57.8%
Expected dividend yield	Nil	Nil	Nil
Risk free rate	1.96%	1.96%	1.96%
Fair value – A$	0.04	0.04	0.04

The Company has not granted any performance rights during the 2017 financial year.

The weighted average remaining contractual life of performance rights outstanding at 30 June 2017 was 1.9 years (2016: 3.0 years).

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

For the year ended 30 June 2017, the Group recognised share-based payments expense of $75,351 in the Consolidated Statement of Profit or Loss and Other Comprehensive Income (2016: $252,201).

Recognition and measurement

The Group 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. 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.

20. Share-based payments (continued)

b) Performance rights (continued)

Recognition and measurement (continued)

The charge to the Consolidated Statement of Profit or Loss and Other Comprehensive Income 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.

Key estimates and judgements

The Group 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.

21. Related parties

	2017 US$	2016 US$
Key management personnel compensation		
Short-term employee benefits	1,277,350	1,595,673
Post-employment benefits	120,903	102,105
Other benefits	4,914	7,210
Termination benefits	167,893	-
Share-based payments	91,861	251,387
Total USD	1,662,921	1,956,375
Total AUD equivalent	2,188,967	2,652,759

Detailed remuneration disclosures are provided in the remuneration report on pages 31 to 41.

21. Related parties (continued)

Transactions with key management personnel

On 10 May 2017 the Company entered into a sub-lease agreement with Pathfinder Energy Pty Ltd, a company of which Mr Ian Boserio is a Director. The sub-lease is for a term of 6 months and is in relation to office premises at 32 Delhi Street, West Perth. A fee of A$2,100 per month is payable. There were no amounts outstanding at balance date.

22. Auditor's 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:

	2017	2016
	US$	US$
BDO Australia		
Audit and review of financial statements	36,941	43,717
Other assurance services	-	198
Tax compliance services	28,687	23,805
Tax consulting and tax advice	18,970	25,558
Remuneration services	-	7,048
Total remuneration of BDO Australia	**84,598**	**100,326**
Network firms of BDO Australia		
Audit and review of financial statements	35,580	12,725
Tax compliance services	18,000	-
International tax consulting	4,211	356
Total remuneration of network firms of BDO Australia	**57,791**	**13,081**
Non-BDO		
Audit and review of financial statements	6,556	68,276
Tax compliance services	4,950	-
Total remuneration of non-BDO audit firms	**11,506**	**68,276**
Total auditors' remuneration	**153,895**	**181,683**

It is the Group's policy to employ BDO on assignments additional to their statutory audit duties where BDO's expertise and experience with the Group 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 Group's policy to seek competitive tenders for all major consulting projects.

23. Contingent liabilities

Pangani PSA

In 2016 the Joint Venture applied to relinquish the Pangani PSA in Tanzania without conducting further work. The regulator is processing this request and final Government agreement to terminate the PSA is expected to be imminent. The Pangani PSA contains a minimum work commitment to drill 1 exploration well with a minimum spend of US$3,000,000 (OEL share). A thorough technical analysis of Pangani data showed no structures of commercial interest and the PSA is expected to be terminated without the need for further activity.

24. Commitments

a) Exploration expenditure commitments

Exploration expenditure contracted for at the reporting date but not recognised as liabilities are as follows:

	2017 US$'000	2016 US$'000
Not later than 1 year	2,600	8,600
	2,600	8,600

b) Capital expenditure commitments

Capital expenditure committed to at reporting date but not recognised as liabilities are as follows:

	2017 US$'000	2016 US$'000
Not later than 1 year	2,956	-
	2,956	-

c) Lease commitments

The Group leases its corporate offices under a non-cancellable operating lease. The lease has varying terms, including escalation and renewal rights.

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

	2017 US$'000	2016 US$'000
Not later than 1 year	268	326
Later than 1 year but not later than 5 years	-	267
	268	593

Recognition and measurement

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group 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.

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

25. Events after the reporting period

Convertible notes issue

On 29 May 2017 the Company announced that it had entered into binding agreements to raise $8.2 million via an issue of secured convertible notes to Molton Holdings Limited, a major Otto shareholder ($8 million), and Mr John Jetter, Otto's Chairman ($0.2 million). Key terms of the convertible notes are set out in the notice of meeting released to the ASX on 23 June 2017. Funds raised via the issue will be used to develop Otto's SM 71 oil project.

On 25 July 2017 a general meeting of shareholders approved the issue of the notes. The funds were received and the notes issued on 2 August 2017.

25. Events after the reporting period (continued)

Exploration – farm in to ST 224

On 3 July 2017 Otto announced it had farmed into the South Timbalier 224 ('ST 224') lease in the Gulf of Mexico shelf. Under the terms of the participation agreement, Otto will be required to fund 25% of the initial test well in the ST 224 lease (up to casing point) to earn a 25% working interest. The financial commitment is currently estimated at $2.7 million (Otto share of dry hole costs). Otto has since paid $56,250 in back costs.

ST 224 contains a large, amplitude supported, high CGR, gas condensate exploration prospect located in the prolific Bul. 1 trend. The operator, respected and experienced GOM focused company W&T Offshore Inc., has commenced the well permitting process and secured the Enterprise Offshore 264 jack-up drilling rig to drill the prospect in late 2017.

SM 71 oil development

Since 30 June 2017 the following material events have occurred in relation to the SM 71 oil development in the Gulf of Mexico (Otto 50% working interest):

- The Bureau of Safety and Environmental Enforcement ('BSEE') approved an extension of the lease term over SM 71 through to 30 November 2017 based on a submitted activity schedule. Under the approved activity schedule, operations for drilling of SM 71 #2 well and completion of SM 71 #1 well are expected to commence before the end of November.
- Hurricane Harvey passed through the Houston area beginning on 25 August 2017 producing a deluge of rain and high winds in the Galveston area over a five-day period. The operator of the SM 71 project, Byron Energy Ltd (Byron, ASX: BYE), reported that on 30 August 2017 construction operations had resumed at the Laredo Construction yard in Galveston, Texas after the passage of Hurricane Harvey. There were no reports of major injury or significant damage at the yard.
- On 12 September 2017 Otto announced that a drilling contract had been signed by Byron with Ensco Plc for the Ensco 68 jack-up rig to carry out the SM 71 drilling and completion program. The Ensco 68 will be available before the end of November 2017 to follow the installation of the tripod production facility on the lease. The contract will allow the joint venture to drill the SM 71 F2 well and then complete the SM 71 F2 and SM 71 F1 (previously referred to as SM 71 #1) wells.
- Since year end Otto has approved an Authority for Expenditure (AFE) totalling $1,576,850 (Otto 50% share) for the SM 71 pipeline installation, facility installation, hookup and commissioning. This amount is not included in the commitments note in the financial statements.

Swala settlement

Under a settlement agreement signed on 25 May 2017 with Swala Oil and Gas (Tanzania) Plc (Swala) in relation to the Pangani Licence in Tanzania, Swala agreed to pay Otto $800,000 on or before 31 August 2017. As at the date of this report no payment has been received from Swala. In accordance with the terms of the settlement agreement, Otto has applied to the Federal Court for judgment against Swala in the amount of $800,000 plus costs and interest. The $800,000 receivable has been fully provided for as a doubtful debt in the financial statements.

No other matters or circumstances have arisen since 30 June 2017 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

26. Parent entity disclosures

As at, and throughout the financial year ended 30 June 2017, the parent company of the Group was Otto Energy Limited.

	Parent entity	
	2017	**2016**
	US$'000	US$'000
Summarised statement of profit or loss and other comprehensive income		
Loss for the year after tax	(3,419)	(3,896)
Total comprehensive loss for the year	(3,419)	(3,896)
Summarised statement of financial position		
Current assets	12,519	20,381
Non-current assets	25,367	20,491
Total assets	37,886	40,872
Current liabilities	672	337
Non-current liabilities	3	29
Total liabilities	675	366
Net assets	37,211	40,506
Total equity of the parent entity comprises:		
Share capital	81,895	81,895
Share based payments reserves	9,549	9,474
Foreign currency translation reserve	118	118
Accumulated losses	(54,351)	(50,981)
Total equity	37,211	40,506

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

Parent company guarantees are extended on a case by case basis. Otto Energy Limited has provided a number of performance guarantees for subsidiaries under the terms of joint operations operating agreements, participation agreements and agreements with Governments pertaining to oil & gas exploration.

Otto Energy Limited has a guarantee in place to Byron Energy Inc, for the performance of Otto Energy (Louisiana) LLC's obligations in relation to SM 6, SM 70, SM 71 and Bivouac Peak.

Otto Energy Limited has an undertaking in place to ensure that Otto Energy (Tanzania) Pty Ltd meets its obligations under the Pangani Production Sharing Agreement in Tanzania.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2017 and 30 June 2016.

26. Parent entity disclosures (continued)

Commitments

The parent entity had no capital commitments as at 30 June 2017 and 30 June 2016. The parent entity has a non-cancellable operating lease payable as follows:

	2017	**2016**
	US$'000	US$'000
Not later than 1 year	268	326
Later than 1 year but not later than 5 years	-	267
	268	593

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, except for the following: Investments in subsidiaries are accounted for at cost, less any impairment in the parent entity.

27. New accounting standards and interpretations

New, revised or amended Accounting Standards and Interpretations adopted by the Group

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

Standards issued but not yet effective

A number of new standards, amendment of standards and interpretations have recently been issued but are not yet effective and have not been adopted by the Group as at the financial reporting date.

The Group has reviewed these standards and interpretations, and with the exception of the items listed below for which the final impact is yet to be determined, none of the new or amended standards will significantly affect the Group's accounting policies, financial position or performance.

Reference and title	**Summary**	**Application date of standard ***	**Application date for Group ***
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.	1 January 2018	1 July 2018

27. New accounting standards and interpretations (continued)

Standards issued but not yet effective (continued)

Reference and title	Summary	Application date of standard *	Application date for Group *
AASB 15 *Revenue from Contracts with Customers*	AASB 15 provides a single, principles-based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures regarding revenue are also introduced. Based on an initial impact assessment, the new standard is not expected to significantly impact revenue recognition.	1 January 2018	1 July 2018
AASB 16 *Leases*	This Standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.	1 January 2019	1 July 2019

* Designates the beginning of the applicable annual reporting period

DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2017

In accordance with a resolution of the Directors of Otto Energy Limited, I state that:

1. In the opinion of the Directors:
   a. the financial statements, notes and the additional disclosures included in the audited 2017 Remuneration Report, comply with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001*;
   b. the financial statements and notes give a true and fair view of the financial position of the Group as at 30 June 2017 and of its performance for the year ended on that date;
   c. the financial statements and notes comply with International Financial Reporting Standards as disclosed in the 'Basis of Preparation' section within the notes to the 2017 Financial Report; and
   d. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the year ended 30 June 2017.

On behalf of the Board

I Macliver

Mr I Macliver
Director
18 September 2017

INDEPENDENT AUDIT REPORT

FOR THE YEAR ENDED 30 JUNE 2017

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INDEPENDENT AUDITOR'S REPORT

To the members of Otto Energy Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Otto Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, 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, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Carrying Value of Oil and Gas Properties

Key audit matter	*How the matter was addressed in our audit*
At 30 June 2017 the carrying value of the asset was \$6.272 million (2016: \$2.717 million), as disclosed in Note 11. This is a key audit matter due to the significant carrying value of the oil & gas properties and the assessment of carrying value requires management to exercise judgement in identifying indicators of impairment for the purposes of determining whether the assets need to be tested for impairment as disclosed in note 11.	We evaluated management's assessment of impairment indicators at 30 June 2017 in accordance with AASB 136: Impairment of Assets. Our work included but was not limited to the following procedures: • Obtaining and reviewing the reserve report from the management's external expert to determine whether they indicate a significant change that would impact the value of the asset. This included assessing the competency and objectivity of management's expert; • Benchmarking and analysing management's oil and gas price assumptions against external market data, to determine whether they indicate a significant change that would impact the value of the asset; • Reviewing the Director's minutes and ASX announcements for evidence of consistency of information with management's assessment of the carrying value; • Considering whether there were any other facts and circumstances that existed to indicate impairment testing was required; and • Assessing the adequacy of the related disclosures in note 11 to the financial report.

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Measurement & Disclosure of Provisions and Contingencies

Key audit matter	*How the matter was addressed in our audit*
The group is subject to various laws and regulations in the jurisdictions to which it operates as well as legal proceedings which may require management to make significant judgement in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets, for recognition, measurement and disclosure purposes. Refer to note 23 for disclosures relating to contingencies as at 30 June 2017. Given the nature of the matter and its potential material impact on the financial report of Otto Energy Limited, we deem this to be a key audit matter at 30 June 2017.	Our work included but was not limited to the following procedures: • Assessing management's position and evaluation of items of legal proceedings and claims as either a contingent liability or asset or a provision in line with the requirements of AASB 137; • Reviewing the Director's minutes, ASX announcements, settlement agreements and correspondence by third party for evidence that the information is consistent with management's assessment of the legal matters and claims; • Reviewing legal invoices and obtained written representation from solicitors for corroboration against management's assessment of the legal matters; and • Assessing the adequacy of disclosure for contingencies in note 23 to the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information contained in the Directors Report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the annual report, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

Responsibilities of the directors 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

INDEPENDENT AUDIT REPORT

FOR THE YEAR ENDED 30 JUNE 2017

BDO

financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_files/ar2.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 31 to 41 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Otto Energy Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

BDO Audit (WA) Pty Ltd

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J Prue

Jarrad Prue

Director

Perth, 18 September 2017

ADDITIONAL ASX INFORMATION
AS AT 1 SEPTEMBER 2017

Distribution of shareholdings

Range	Number of holders	Number of shares
1 – 1,000	135	27,071
1,001 – 5,000	274	906,719
5,001 – 10,000	572	4,735,138
10,001 – 100,000	2,534	104,388,658
100,001 and over	812	1,076,240,738
Total	4,327	1,186,298,324

Shareholders by location

	Number of holders	Number of shares
Australian holders	4,091	882,594,203
Overseas holders	236	303,704,121
	4,327	1,186,298,324

Unmarketable parcels

There were 1,516 shareholders holding less than a marketable parcel of shares.

Twenty largest shareholders

	Name	Ordinary shares	
		Number of shares	%
1	Molton Holdings Limited	241,910,757	20.39%
2	Santo Holding AG	241,910,757	20.39%
3	J P Morgan Nominees Australia Limited	56,626,421	4.77%
4	BNP Paribas Nominees Pty Ltd	41,040,338	3.46%
5	John Jetter (Consolidated Relevant Interest)	16,589,175	1.40%
6	DBS Vickers Securities (Singapore) Pte Ltd	14,020,833	1.18%
7	Mr Rick Wayne Crabb & Mrs Carol Jean Crabb	10,395,052	0.88%
8	Sphinx Holdings Ltd	10,227,361	0.86%
9	HSBC Custody Nominees (Australia) Limited	9,153,510	0.77%
10	Citicorp Nominees Pty Limited	8,871,827	0.75%
11	Stuart Andrew Pty Ltd	8,814,621	0.74%
12	Mr Brian Lesleigh Williams & Mrs Valerie Ruby Dawn Williams	8,400,000	0.71%
13	Mr Andrew McCrea Coulter & Mrs Sally Anne Travis	7,890,000	0.67%
14	Forsyth Barr Custodians Ltd	7,141,742	0.60%
15	Mr Timothy Frances Clive McDonnell & Mrs Mila McDonnell	5,888,888	0.50%
16	Matthew Gerard Allen (Consolidated Relevant Interest)	5,243,000	0.44%
17	Mr Conran James Smith	5,119,000	0.43%
18	Mr William George Williams	4,900,000	0.41%
19	Ian Macliver (Consolidated Relevant Interest)	4,549,721	0.38%
20	Navigator Australia Ltd	4,540,774	0.38%
		713,233,777	60.12%

ADDITIONAL ASX INFORMATION
AS AT 1 SEPTEMBER 2017

Substantial shareholders

Name	Ordinary shares	
	Number of shares	%
Molton Holdings Limited	241,910,757	20.39
Santo Holding AG	241,910,757	20.39

Unquoted securities

The unlisted securities of the Company as at 1 September 2017 are 7,670,000 performance rights. The performance rights do not carry a right to vote at a general meeting of shareholders.

Vesting date	Expiry date	Exercise price	Number of performance rights	Number of holders
3 October 2014	31 December 2018	A$0.00	1,620,000	3
23 April 2015	31 December 2019	A$0.00	4,650,000	3
14 August 2015	31 December 2017	A$0.00	1,400,000	1
			7,670,000	

Voting rights

Ordinary shares
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.

Options
There were no options on issue as at the date of this Financial Report.

Performance rights
There are no voting rights attached to the performance rights.

Corporate governance

The Company's Corporate Governance Statement for the 2017 financial year can be accessed at www.ottoenergy.com

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INTENTIONALLY

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