DIVERSIFIED, CONVENTIONAL OIL & GAS PRODUCTION AND EXPLORATION IN NORTH AMERICA

OTTO ENERGY

ANNUAL REPORT 2019

30 JUNE 2019 | OTTO ENERGY LIMITED

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CHAIRMAN'S REPORT

Dear Shareholders,
It is my pleasure to present the 15th Annual Report to shareholders as Otto Energy continues to build its North American oil and gas business.

The last 12 months have again been an exciting and successful period of activity for the company with the establishment of a growing presence in the Gulf of Mexico, with new discoveries at Lightning, Green Canyon 21, and potentially Mustang (of which Lightning is already in production) and thus the establishment of a more stable and growing production base spread over multiple projects. Otto Energy has successfully made the transition from an exploration company to a production company with further exploration upside. The company drilled six wells in North America last year with three successes in the Gulf of Mexico, establishing a strong reputation as a committed and proficient partner.

In addition, we are negotiating a financing package that is expected to cover our ongoing and future development expenditure.

We are proud of our partnerships with Hilcorp Energy, Talos Energy and Byron Energy as operators.

That having been said we are determined not to lose focus on the creation of value for shareholders. We will maintain our analytical discipline and only invest in projects which meet our strategic and financial criteria. We will focus on smart capital management to maximize returns as we continue to build our portfolio and pipeline.

Our local team in Houston has been established and has a significant depth of experience that has contributed to our successful partnerships in the Gulf of Mexico this year, including three discoveries with several more wells to drill in this current program. Looking forward we are excited by the investment opportunities we see in the Gulf of Mexico which will allow us to grow Otto Energy into a profitable mid-size oil and gas company whilst remaining strictly focused on what we know best, ie building a portfolio of profitable conventional oil and gas projects.

Last but not least, I have recently announced that, after 12 years on the Board and 3 years as Chairman, I have elected to retire as Chairman, although I will remain on the Board as an independent non executive director. It has been a privilege to be able to guide Otto Energy through its recent period of transition and I wish my successor Mr Ian Boserio much success as Chairman. I thank you the shareholders for your support, the directors for their guidance and the management and staff for their commitment.

John Jetter
Chairman


ENSCO-68

MANAGING DIRECTOR'S REPORT

Dear Shareholders,

It is my pleasure to present Otto Energy's FY 2019 annual report. The year has seen Otto grow its platform of production in the Gulf of Mexico with the commencement of production from the Lightning project with partner, Hilcorp Energy. This production, in addition to the already producing SM 71, will underpin Otto's future activities within the core focus area of the Gulf of Mexico.

Otto has positioned itself with quality partnerships and assets, with an active pipeline of development and exploration projects to advance the business and create shareholder value through successful execution of strategy.

Our core focus on the Gulf of Mexico stems from its attractiveness with respect to established and accessible infrastructure, well-understood geology and petroleum systems, and availability of services and partnerships focused on conventional oil and gas. The use of new technology in seismic processing has enabled overlooked opportunities to be unlocked. There is opportunity for a company such as Otto to grow a business with key partnerships in the Gulf of Mexico whilst competition for conventional oil and gas assets is historically low.

Otto's near-term focus is on building a 5000 boepd business by the end of CY 2020. Otto's flagship SM 71 development plus discoveries at Lightning, Green Canyon 21 and potentially Mustang have created a platform to achieve this strategic goal. We have made further major steps in this year setting up the next round of exploration drilling activities and beyond.

Otto has 3-4 wells remaining in its exploration drilling portfolio, with other opportunities under evaluation. Development drilling at Lightning and SM 71 also present opportunities to step-up production from existing projects. Development funding is being finalized to enable Otto to participate in these value accretive, lower risk opportunities stemming from its successful partnerships and drilling.

The Houston office is now well-established, with a highly experienced team who have previously delivered significant success in the Gulf of Mexico. The team has enabled technical evaluation of a large number of potential opportunities, now screened and short-listed.

The support of Otto's shareholders has been significant and we look forward to rewarding that support with the achievement of our growth goals and targets leading to value creation of shareholder value. The outlook for 2020 encompasses significant activity in the coming year, with the expected drilling of the Beluga exploration well with Hilcorp, a second development well at Lightning with Hilcorp, further activity at SM 71 with Byron Energy, the testing of the Mustang discovery with Hilcorp Energy and the completion of the GC 21 well for production with partner Talos Energy.

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 endorsement of Otto Energy and I look forward to releasing the results of our active program of projects in North America in FY20.

Matthew Allen
Managing Director

Perth, Western Australia

2019 HIGHLIGHTS

Otto Energy Limited is an oil and gas exploration and production company with a regional focus on North America.

2019 saw an increase of production to 741,626 boe, growth of

282%

over 2018 production.

Net Revenue

US$31.2m

up from US$9.5 m in 2018.

EBITDAX[1] of

US$23.5m

up from US$5.0m in 2018.

Cashflow from operating activities (before exploration costs)[1] of

US$23.7m

[1] Refer to ASX announcement, Financial Report for the year to June 2019, released 26 September 2019 for notes regarding non-IFRS information and reconciliation.

Proved Reserves[2] (1P) growth of

49% to 3.670 MMboe

(Net to Otto)

2P Reserves[2] of

7.103 MMboe

(Net to Otto)

3P Reserves[2] of

10.152 MMboe

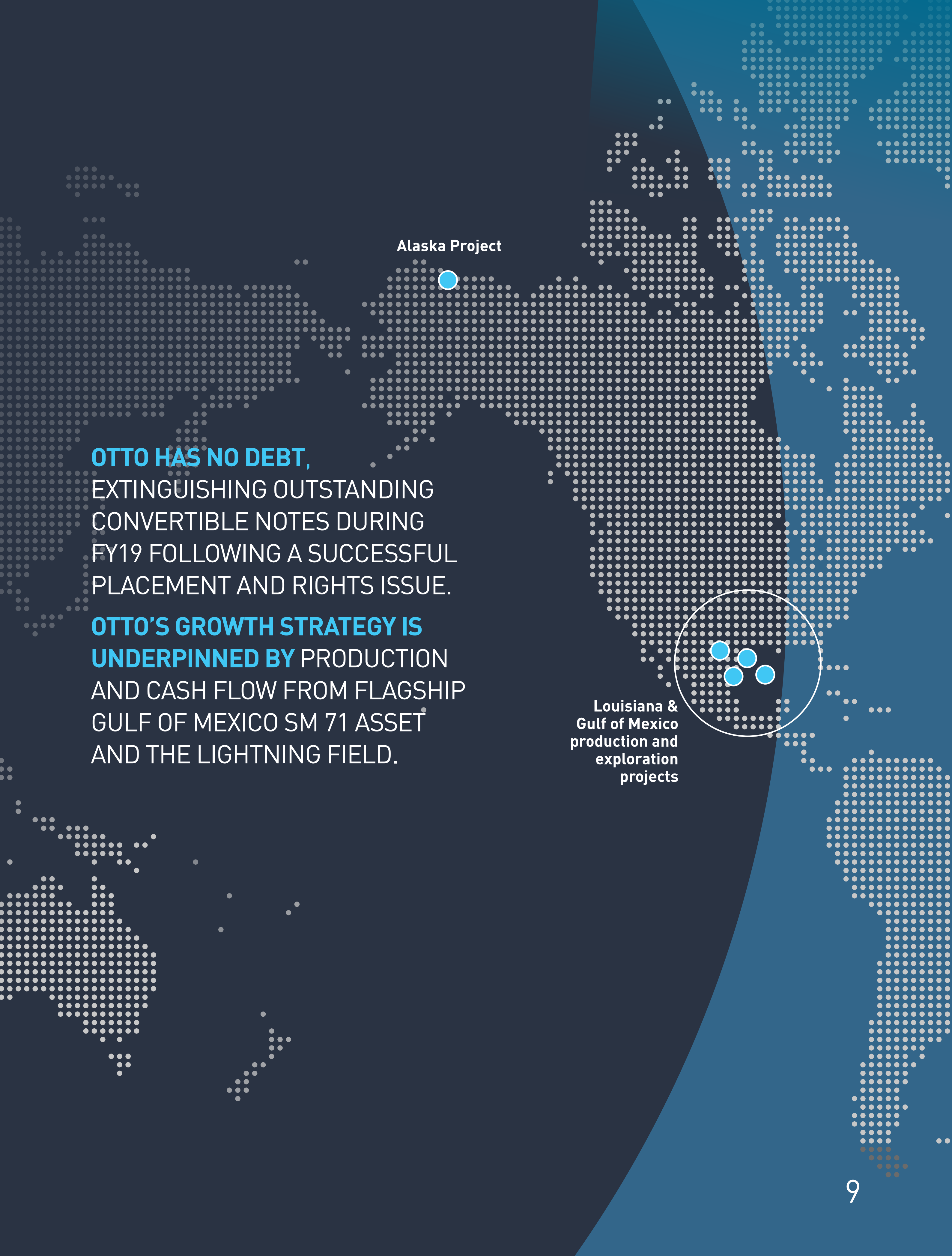
(Net to Otto)

One new project **began production** in the Gulf of Mexico (Lightning) to **add to steady production** from the SM 71 project.

Three exploration discoveries from wells drilled in 2019 reported in the Gulf of Mexico at Lightning, Mustang and Green Canyon 21 shallow and deep targets (reported subsequent to year end).

Perth
Australia

[2] Refer to Reserves & Prospective Resources statement for the year ended 30 June 2019 on pages 22-28 of this report for additional disclosures.



OTTO HAS NO DEBT, EXTINGUISHING OUTSTANDING CONVERTIBLE NOTES DURING FY19 FOLLOWING A SUCCESSFUL PLACEMENT AND RIGHTS ISSUE.

OTTO'S GROWTH STRATEGY IS UNDERPINNED BY PRODUCTION AND CASH FLOW FROM FLAGSHIP GULF OF MEXICO SM 71 ASSET AND THE LIGHTNING FIELD.

STRATEGY

The company's core strategic goal is to grow production in the Gulf of Mexico to 5000 boepd by the end of 2020.

As at the date of this report the status of execution of this strategy is as follows.

- Through successful exploration Otto has built a portfolio of four conventional oil and gas properties in the US Gulf of Mexico and Gulf Coast with two in production and two in the development/evaluation stage. These four projects, when all in full production (anticipated in the second half of 2020), are expected to take Otto close to its stated goal of 5,000 boepd;
- Growth strategy underpinned by strong production and cash flow from flagship Gulf of Mexico SM 71 asset and the onshore Lightning field that commenced production in May 2019;
- Exciting pipeline of up to four high-impact exploration opportunities as well as development wells taking place over the next six months;
- Progressing a finance facility for funding current and future developments thus allowing Otto to continue to look for further growth opportunities in the Gulf of Mexico; and
- An experienced team located in Houston with a track record of successfully growing, operating and divesting oil and gas assets globally who understand risk and capital management.

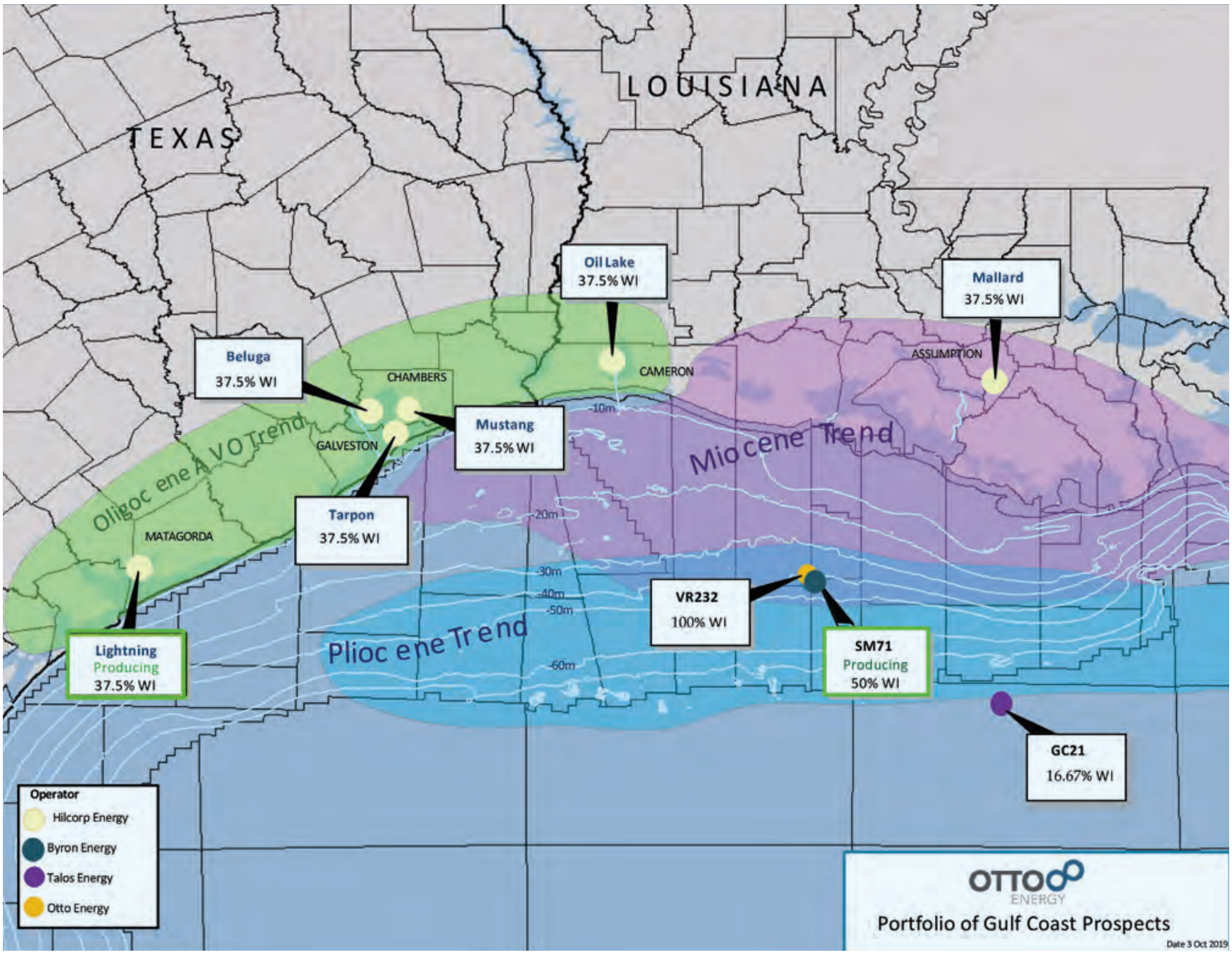
Gulf of Mexico

The Company's strategy is currently focused on growing its business in the Gulf of Mexico for the following reasons:

- Proven prolific hydrocarbon province where technologies such as RTM seismic processing continue to create new opportunities;
- Low sovereign risk;
- High margin oil with breakeven economics around US$20/barrel;
- Short cycle time from discovery to development of 8-18 months;
- Low cost drilling and development;
- Relatively low risk exploration;
- Deal flow is liquid and a full spectrum of opportunity size is available;
- Otto has area expertise and well developed business relationships; and
- Otto has production in the area.

In order to deliver on the strategy, the Company's business development focus over the past year in the Gulf of Mexico has been on pursuing prospects with the following characteristics:

- Miocene/Pliocene/Oligocene geology which are amplitude supported;
- Investing capital into drilling, not seismic;
- Seeking early cashflow/ROI – Approximately 12-18 months from exploration to production;
- Progressing from the shallow water (<300 feet) and onshore to smaller manageable working interests in the deeper transition zone following exploration success – keeping capex manageable; and
- High liquids yields to increase margins.



Otto Energy SMI Block 71 Platform

> “TODAY, ABOUT HALF OF THE USA’S FOSSIL FUEL REFINING AND PROCESSING CAPACITY IS ALONG THE GULF OF MEXICO.
>
> US Energy Information Administration

ASSET OVERVIEW

North America

GULF OF MEXICO

Otto Energy considers the Gulf of Mexico a core region for its exploration and production focus. Today, Otto produces oil and gas from two projects in the Gulf of Mexico, SM 71 and Lightning.

The Gulf of Mexico (GoM) region is one of the most prolific oil and gas producing regions on earth. About half of the USA's fossil fuel refining and processing capacity is along the GoM. The high density and availability of production platforms utilised for the development of primary reservoirs contributes to low production costs in the region, making projects viable even in a sustained, low oil price environment.

Otto has focused on a partnership strategy in the GoM to build a portfolio of diverse, conventional oil and gas opportunities. Otto's current operating partners in the Gulf of Mexico are Byron Energy (ASX: BYE), Hilcorp Energy, and Talos Energy (NYSE: TALO). Otto drilled four wells with Hilcorp Energy in 2019. This lead to a discovery at Lightning, and resulting maiden production and reserves, and a potential discovery at Mustang, which commenced production testing in October 2019.

Otto has up to four additional wells to drill with Hilcorp Energy as part of its original eight exploration well agreement signed in July 2018. Otto drilled an appraisal well with exploration upside with Talos Energy at GC 21, which, subsequent to year end, discovered commercial hydrocarbons and is currently undergoing development planning set for completion in mid-2020.

Summary of Gulf of Mexico Assets as at 30 June 2019

Asset	Otto Working Interest (WI)	Otto net revenue interest (NRI)	Joint Venture Partners	Notes
Gulf of Mexico Region				
South Marsh Island 71 (SM 71)	50%	40.63%	Byron Energy	Production
Lightning	37.5%	28.57%	Hilcorp Energy	Production
Green Canyon 21 (GC 21)	16.67%	13.34%	Talos Energy (Operator) / EnVen Energy Ventures, LLC	Development
Mustang	37.50%	28.50%	Hilcorp Energy	Production Testing
Beluga	37.50%	30.00%	Hilcorp Energy	Exploration
Mallard	37.50%	29.63%	Hilcorp Energy	Exploration
Tarpon	37.50%	29.06%	Hilcorp Energy	Exploration
Oil Lake	37.50%	29.06%	Hilcorp Energy	Exploration
Vermillion 232 (VR 232)	100%	87.50%	n/a	Exploration

ASSET OVERVIEW (continued)

Production - South Marsh Island 71

Otto owns a 50% Working Interest ('WI') and a 40.625% Net Revenue Interest ('NRI') in the South Marsh Island block 71 ('SM 71'), with Byron Energy Limited ('Byron') the operator, holding an equivalent WI and NRI. Water depth in the area is approximately 137 feet.

Following the initial discovery by Otto and Byron in 2016, oil and gas production from the SM 71 F platform began in late March 2018 from two wells with the third well coming on line in early April 2018. The F1 and F3 wells are completed in the primary D5 Sand reservoir and the F2 well is completed in the B55 Sand, a secondary exploration target.

The SM 71 F facility has now produced over 1.6 million barrels of oil (gross) since initial production began. The facility has also produced over 2.4 billion cubic feet of gas (gross) which, on a revenue basis, is approximately equivalent to an additional 128,000 barrels of oil.

After the initial expected decline in production, aquifer support stabilized and in fact, increased oil production over the second half of the financial year.

ASSET OVERVIEW (continued)

Production and revenue details for the year ended 30 June 2019 are set out below.

Production Volumes	Quarter Ended			
	30-Sep-18	31-Dec-18	31-Mar-19	30-Jun-19
Gross (100%)				
SM 71 – Oil (bbls)	324,597	271,074	255,880	264,992
SM 71 – Oil (bopd)	3,528	2,946	2,843	2,912
SM 71 – Gas (Mscf)	355,605	582,593	607,580	469,196
Otto WI Share (50%)				
SM 71 – Oil (bbls)	162,298	135,537	127,940	132,496
SM 71 – Oil (bopd)	1,764	1,473	1,422	1,456
SM 71 – Gas (Mscf)	177,802	291,296	303,790	234,598
Otto NRI Share (40.625%)				
SM 71 – Oil (bbls)	131,868	110,124	103,951	107,653
SM 71 – Oil (bopd)	1,433	1,197	1,155	1,183
SM 71 – Gas (Mscf)	144,464	236,678	246,829	190,611

Sales Revenue – Otto 50% WI share (before royalties) USD	Quarter Ended			
	30-Sep-18	31-Dec-18	31-Mar-19	30-Jun-19
SM 71 – Oil - $'million	11.17	8.25	6.99	8.16
SM 71 – Oil - $ per bbl	68.82	60.85	54.65	61.59
SM 71 – Gas - $'000	615	1208	977	643
SM 71 – Gas – $ per MMbtu	3.17	3.81	2.93	$2.49

Notes

1. Otto sells its high quality Louisiana Light Sweet crude ('LLS') produced at SM 71 at premium to West Texas Intermediate ('WTI') based on current LLS versus WTI price differentials. Deductions are then applied for transportation, oil shrinkage, basic sediment & water (BS&W), and other applicable adjustments.
2. Gas revenues include NGLs. 1 Mscf = 1.09 MMbtu in June for SM 71 production. The thermal content of SM 71 gas may vary over time.

Production - Lightning

The Green #1 well on the Lightning prospect in Matagorda County, Texas commenced drilling in early December 2018. The well reached total depth of 15,218ft MD (15,216ft TVD) in early February 2019 with wireline logs indicating 180 feet of net pay, significantly in excess of pre-drill expectations.

Through participation in the drilling of the Lightning exploration well, Otto earned a 37.5% working interest in the leases covering the Lightning prospect.

Following the discovery, facilities were installed and the well was connected to a nearby sales gas pipeline.

Perforations and testing occurred during April and May with the well reaching steady state production of 12 MMscf/day in raw gas and 365 bbl/day in condensate (Otto's 37.5% Working Interest is 4.5 MMscf/d and 137 bbls/d) in late June 2019.

Commissioning hydrocarbon sales in May and June 2019 contributed to Otto revenue for FY 2019, with the first full month of contribution occurring in July 2019. First sales proceeds were received in July 2019.

ASSET OVERVIEW (continued)

Production and revenue details for the year ended 30 June 2019 are set out below.

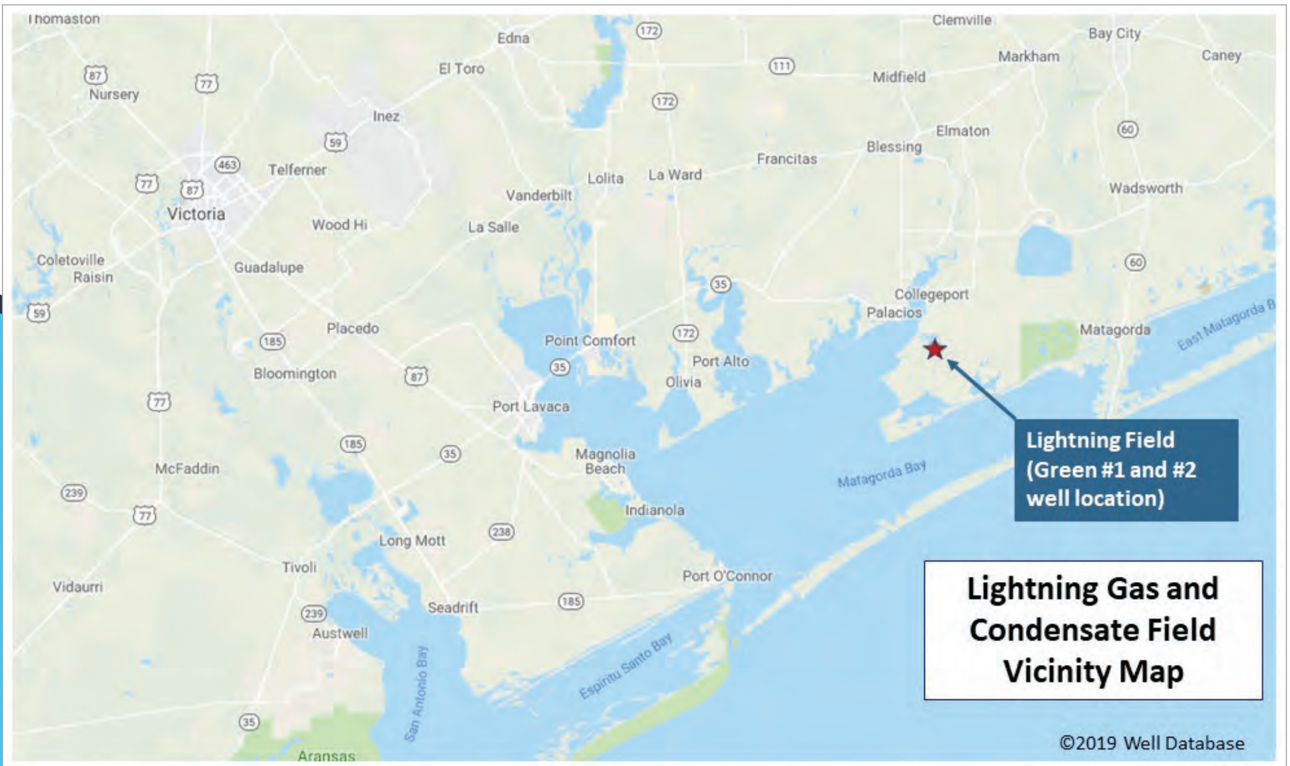
Production Volumes*	2019
Gross (100%)	
Lightning – Oil (bbls)	5,685
Lightning – Gas (Mscf)	167,393
Lightning – NGLs (bbls)	7,591
Otto WI Share	
Lightning – Oil (bbls)	2,132
Lightning – Gas (Mscf)	62,772
Lightning – NGLs (bbls)	2,847
Otto NRI Share	
Lightning – Oil (bbls)	1,624
Lightning – Gas (Mscf)	47,822
Lightning – NGLs (bbls)	2,169

Sales Revenue – Otto 37.5% WI share (before royalties) Volumes* USD	2019
Oil - $'million	0.13
Oil - $ per bbl	60.70
Gas - $'000	143.33
Gas – $ per MMbtu	2.32
NGLs - $'000	31.54
NGLs – $ per bbl	11.08

* Lightning annual production reflects only limited production during start up and commissioning of field during May and June 2019.
July 2019 full month production totalled 10,000 bbl and 343 MMscf of Raw Gas (8/8ths).

The joint venture is progressing the drilling of a second well, Green #2 development well, in the field commencing in October 2019. Full field development may require up to five wells to fully develop the Lightning accumulation.

Lightning location map



ASSET OVERVIEW (continued)

Development - Green Canyon 21

On 29 March 2019 Otto announced that it has entered into a joint venture with Talos Energy (NYSE: TALO) which will see it earn a 16.67% working interest in the Green Canyon 21 (GC-21) lease in the Gulf Mexico through paying 22.22% of the cost of the drilling of the 'Bulleit' appraisal well in GC-21.

The 'Bulleit' appraisal well commenced drilling on 6 May 2019. On 13 June 2019, The Company announced that the upper target, the DTR-10 sand, was intersected and a commercial outcome was confirmed.

On 8 August 2019 Otto announced that the GC 21 'Bulleit' well, operated by Talos Energy, had been successfully drilled to Total Depth despite challenging conditions. The well drilled through the deeper exploration target, the MP sands, after intersecting oil pay in the shallower DTR-10 sand package as announced to the ASX on 13 June 2019. The well intersected the following discovered intervals:

- DTR-10 interval –net 140 feet of TVD oil pay encountered; and
- MP interval – approximately net 110 feet of TVD oil pay expected to be delivered in high quality reservoir consistent with analogue wells in the GC18 field.

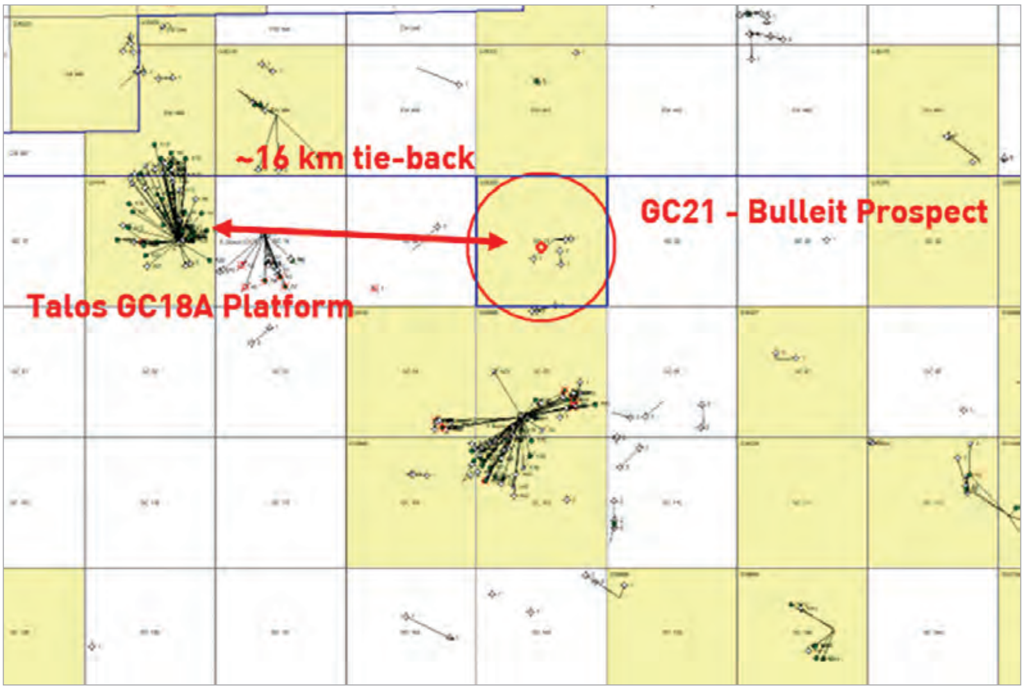
Following the discovery in the DTR-10 sands, attempts to drill to the deeper objective MP sands were delayed due to poor hole conditions and compromised drilling operations requiring sidetracking. In addition, the passing of Hurricane Barry required the rig to disconnect to ensure safe operations. As a result of these operations, the cost of drilling the GC21 'Bulleit' well exceeded the pre-drill estimates of US$9.0m net to Otto.

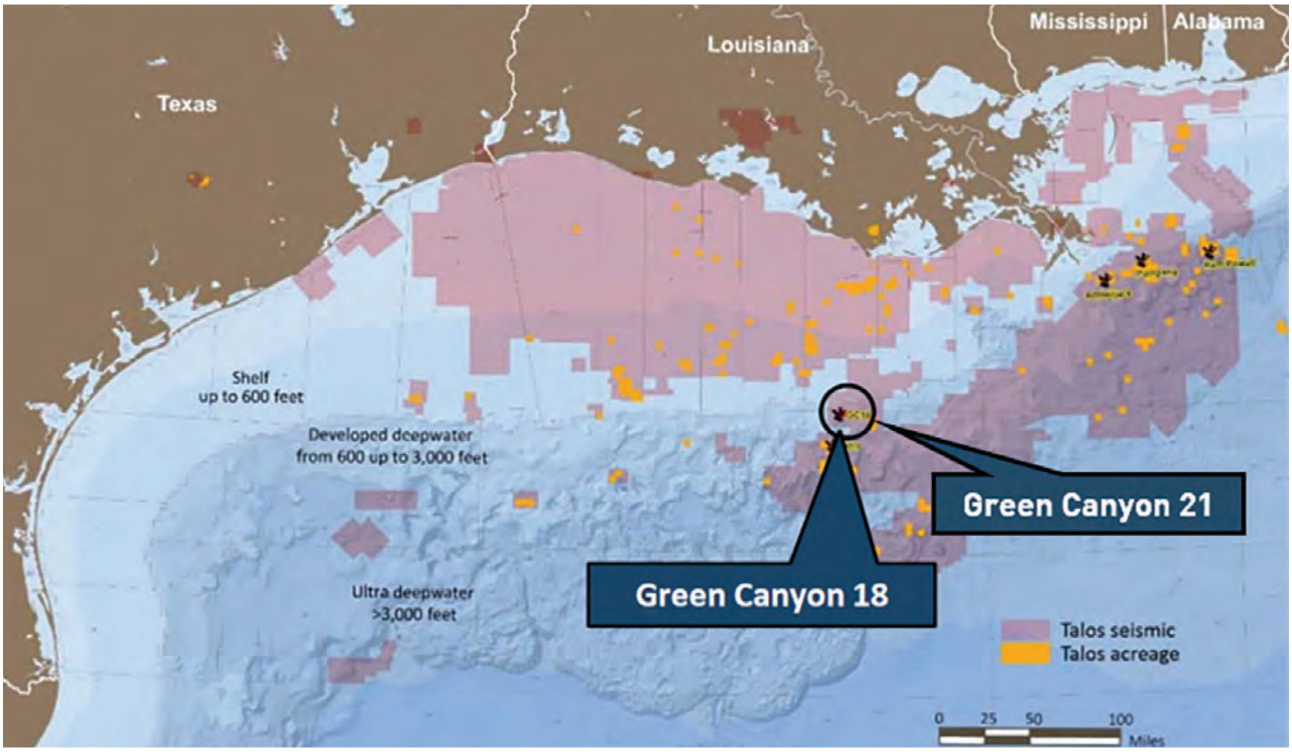
The GC 21 development plan is being progressed by the Operator to complete the discovery well in mid-2020. The Operator will complete the well as a production well and then tie it back to the Talos-owned and operated Green Canyon 18 (GC 18A) facility approximately 10 miles (~16 km) west of the 'Bulleit' well. The development will involve the use of a subsea completion that is common for projects of this nature and water depth in the Gulf of Mexico.
The joint venture undertook a review of the development plan in late September 2019. Under the plan the operator expects to complete the well in mid-2020 with first production in late Q3 2020.

Subject to the commitment to development outlined above, Otto will report maiden reserves from the GC21 discovery incorporating the development plans.

ASSET OVERVIEW (continued)

Green Canyon 21 proximity to Green Canyon 18A platform





GC21 and GC18 location map

ASSET OVERVIEW (continued)

Testing - Mustang

On 1 May 2019, Otto announced that drilling of the Mustang exploration prospect had commenced. On 23 July 2019, Otto announced that the Mustang prospect exploration well, Thunder Gulch #1, successfully intersected a minimum 57 feet TVT of net hydrocarbon pay and would be completed for production testing. On 19 September 2019 Otto announced that the operator has sourced equipment required for the testing of the deep, high pressure Mustang discovery. With reservoir pressures at the discovery location of over 15,000 psi, specialised high-pressure equipment is required that is not commonly used. The initial testing will involve the perforation of various discovery intervals in order to understand reservoir deliverability and the design of a completion program to optimise ultimate production.

Once the testing phase of the discovery is completed, the joint venture would then plan for the installation of surface production equipment and the connection into a nearby sales pipeline to enable production to commence. This is expected to occur during Q4 2019, subject to the outcome of the current test program.

Mustang location map

ASSET OVERVIEW (continued)

Exploration – Hilcorp Package

In late July 2018, Otto announced that it had entered into a joint venture with Hilcorp Energy to drill an eight well portfolio of prospects in the Onshore/Near Shore USA Gulf Coast (Gulf of Mexico), with Hilcorp as Operator. Four wells have now been drilled (Big Tex, Lightning, Don Julio 2 and Mustang) with Lightning and Mustang being discoveries. There are four wells left in the eight well program with Hilcorp which are expected to be drilled over the next 6-9 months, subject to finalising regulatory and permitting approvals. Beluga is expected to commence drilling in the fourth quarter of 2019.

Prospect Name (State)	Working Interest	Net Revenue Interest	Target Depth (TVD) ft	Probability of Success	Prospective Resources (MMboe) Otto Net Revenue Interest			
					P90	P50	Mean	P10
Beluga, TX	37.5%	28.5%	13,000	45%	0.2	0.9	1.4	3.4
Mallard, LA	37.5%	29.63%	11,000	64%	0.1	0.3	0.5	1.3
Tarpon, TX	37.5%	29.06%	14,000	34%	2.2	7.0	10.5	23.5
Oil Lake, LA	37.5%	29.06%	14,500	45%	0.3	1.0	1.3	2.7

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.

Additional Upside – Hilcorp Package

With the successful drilling of the Mustang prospect, Otto has ground floor rights (ie pays only its working interest) to participate in the nearby Corsair/Hellcat opportunities. These wells are in addition to the eight wells in the original program announced with Hilcorp. Should the Tarpon prospect be successful then Otto has ground floor rights (ie. It pays only its working interest) to participate in the nearby Damsel opportunity.

Under a Joint Exploration and Development Agreement (JEDA) with Hilcorp, Otto has a right of first offer to a subsequent Gulf Coast program, if Hilcorp elect to offer such a program to third parties.

Exploration - VR 232

In May 2019 Otto acquired Byron Energy's 50% interest in, and operatorship of, VR 232 at no cost. Following completion of the transfer, Otto's interest is now 100% and net revenue interest is 87.5%.

VR 232 is adjacent to Otto's 50% owned SM 71 oil field and adds drilling opportunities which increase Otto's potential upside around the SM 71 facilities. Over 2 Bcf of gas and 30 Mbbls of oil have been produced from VR 232 between 1995 and 1997.

Otto has recently acquired a modern, high quality 3D seismic data set over the SM 71 area (including VR 232) and part of the work being done will focus on the prospectivity of VR 232 given its proximity to SM 71.

ASSET OVERVIEW (continued)

Exploration - ALASKA

Asset	Otto Working Interest (WI)	Otto net revenue interest (NRI)	Joint Venture Partners	Notes
Alaska North Slope (Western Blocks)	22.50%	18.75%	88 Energy (ASX:88E) / Red Emperor Resources NL (ASX:RMP)	Exploration
Alaska North Slope (Central Blocks)	8-10.8%	6.7%-9.5%	Pantheon Resources (AIM:PANR)	Exploration

Western Blocks

Otto holds a 22.5% working interest in the joint venture with 88 Energy (ASX:88E) and Red Emperor Resources NL (ASX:RMP) in four leases comprising the 'western blocks' totaling over 22,710 acres. Key activities during the year included the drilling of the Winx Prospect. The Winx-1 well commenced drilling on 15 February 2019 and intersected all of the pre-drill targets safely and efficiently. Total Depth of 6,800' was reached on 3 March 2019. A comprehensive wireline logging program was then successfully run and completed.

Provisional petrophysical analysis of the wireline logging program indicated low oil saturations in the primary Nanushuk Topset objectives; testing and fluid sampling indicated that reservoir quality and fluid mobility at this location was insufficient to warrant production testing, despite encouragement from oil shows and logging while drilling (LWD) data. Winx-1 was subsequently plugged and abandoned.

The forward plan is to further evaluate and integrate the valuable data acquired at Winx and reprocess the Nanuq 3D seismic (2004) in order to evaluate the remaining prospectivity on the Western Leases including the Nanushuk Fairway potential.

Central Blocks

Through its agreements with Great Bear Petroleum Operating ('Great Bear') in 2015, Otto has between an 8% and 10.8% working interest in 54 leases (covering 154,295 gross acres) held by Pantheon Resources plc (AIM:PANR) on the Alaskan North Slope ('Central Blocks').

The leases are in a major play fairway south of the Prudhoe Bay and Kuparuk giant oil fields.

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

Otto's exposure on the first two wells is limited to US$2.6m/well. Otto had no activity in this area during the year ended 30 June 2019. 19 leases deemed unprospective were relinquished during the year and a further 17 transferred to Burgundy Xploration LLC for US$6,054.

RESERVES & PROSPECTIVE RESOURCES

On 19 September 2019 the Company released its statement of reserves and prospective resources as at 30 June 2019. The statement of reserves included SM 71 and the maiden statement of reserves for Lightning. The reserves for SM 71 and Lightning were compiled by independent consultants Collarini and Associates and Ryder Scott Company respectively. The summary statement of reserves and prospective resources at 30 June 2019 is set out below. SM 71 and Maiden reserves for the Lightning gas/condensate field are set out separately following the summary table.

Reserves Summary 30 June 2019

	Gross (100%)			OTTO Net		
Total	**Oil (Mbbl)**	**Gas (MMscf)**	**MBoe**	**Oil (Mbbl)**	**Gas (MMscf)**	**MBoe**
Proved Producing	3,219	12,599	5,318	1,271	3,910	1,923
Proved Behind Pipe	682	3,765	1,310	265	1,118	452
Proved Undeveloped	1,927	11,117	3,779	746	3,292	1,295
Proven (1P)	**5,828**	**27,481**	**10,407**	**2,282**	**8,320**	**3,670**
Probable	6,094	19,823	9,398	2,417	6,101	3,434
Proven Plus Probable (2P)	**11,922**	**47,304**	**19,806**	**4,699**	**14,421**	**7,103**
Probable	3,664	34,468	9,409	1,371	10,072	3,049
Proven Plus Probable Plus Possible (3P)	**15,586**	**81,772**	**29,214**	**6,070**	**24,492**	**10,152**
Total Propsective Resource (best estimate, unrisked)				67,309	89,875	82,289

Prospective Resources Cautionary Statement

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

Otto Energy Limited net reserves and resources for all fields as at 30 June 2019 are summarised below (see additional disclosures provided in the following pages and appendices).

Changes to reserves and resources since 30 June 2018

OTTO ENERGY LIMITED: Reserves (NRI Net to OTTO) Total												
	Oil (Mbbl)				Gas (MMCF)				Mboe			
Reserves Reconcilliation	Remaining 30/06/18	Production 2019	Additions & Revisions 2019	Remaining 30/06/19	Remaining 30/06/18	Production 2019	Additions & Revisions 2019	Remaining 30/06/19	Remaining 30/06/18	Production 2019	Additions & Revisions 2019	Remaining 30/06/19
Proved (1P)	**2,226**	(455)	512	**2,282**	**1,372**	(879)	7,827	**8,320**	**2,455**	(602)	1,816	**3,669**
Probable	3,668	-	(1,251)	2,417	2,833	-	3,267	6,100	4,140	-	(707)	3,433
Proved and Probable (2P)	**5,894**	(455)	(740)	**4,699**	**4,205**	(879)	11,095	**14,420**	**6,595**	(602)	1,109	**7,102**
Possible Reserves	1,890	-	(519)	**1,371**	1,613	-	8,459	10,072	2,159	-	891	3,050
Proved, Probable and Possible (3P)	**7,784**	(455)	(1,259)	**6,070**	**5,818**	(879)	19,553	**24,492**	**8,754**	(602)	2,000	**10,152**

RESERVES & PROSPECTIVE RESOURCES (continued)

South Marsh Island 71 Reserves and Resources Statement:

Comment on the changes to reserves and resources:

- SM 71 has now recovered over 1.6 MMbbl of oil and 2.4 Bcf of gas since production commenced in March 2018 and is currently producing approximately 3,200 bopd of oil and 3.4 MMscf/d of gas;
- Production history: Increase in D5 Sand Proved EUR reserves due to the high rate, water free production from the D5 reservoir;
- Higher gas-to-oil ratio ('GOR') observed in F1 production which effectively increases the calculated gas in place and in turn decreases oil in place resulting in a negative revision to D5 estimated ultimate recoveries and therefore remaining reserves; and
- Removal of 68% of the B65 probable reserves as a result of remapping of the undeveloped B65 reservoir with recently reprocessed 2019 seismic indicating a smaller area of prospectivity than previously mapped.

SM71	Gross (100%)			OTTO Net (40.625%)		
	Oil (Mbbl)	Gas (MMscf)	MBoe	Oil (Mbbl)	Gas (MMscf)	MBoe
Proved Producing	2,928	2,575	3,347	1,185	1,046	1,360
Proved Behind Pipe	580	355	639	236	144	260
Proved Undeveloped	1,622	962	1,782	659	391	724
Proven (1P)	**5,120**	**3,892**	**5,768**	**2,080**	**1,581**	**2,344**
Probable	5,608	3,627	6,213	2,278	1,473	2,524
Proven Plus Probable (2P)	**10,728**	**7,519**	**11,981**	**4,358**	**3,055**	**4,867**
Probable	2,686	1,861	2,996	1,091	756	1,217
Proven Plus Probable Plus Possible (3P)	**13,414**	**9,380**	**14,977**	**5,449**	**3,811**	**6,085**
Total Propsective Resource (best estimate, unrisked)	3,665	49,569	11,927	1,489	20,137	4,845

OTTO ENERGY LIMITED: Reserves SM71 (NRI Net to OTTO) Gulf of Mexico, offshore Louisiana, USA												
Reserves Reconcilliation	Oil (Mbbl)				Gas (MMCF)				Mboe			
	Remaining 30/06/18	Production 2019	Additions & Revisions 2019	Remaining 30/06/19	Remaining 30/06/18	Production 2019	Additions & Revisions 2019	Remaining 30/06/19	Remaining 30/06/18	Production 2019	Additions & Revisions 2019	Remaining 30/06/19
SM71(developed & undeveloped)												
Proved (1P)	**2,226**	(454)	308	**2,080**	**1,372**	(819)	1,027	**1,581**	2,455	(590)	479	**2,344**
Probable Reserves	3,668	-	(1,390)	2,278	2,833	-	(1,360)	1,473	4,140	-	(1,617)	2,523
Proved and Probable (2P)	**5,894**	(454)	(1,082)	**4,358**	**4,205**	(819)	(332)	**3,054**	6,595	(590)	(1,138)	**4,867**
Possible Reserves	1,890	-	(798)	1,092	1,613	-	(857)	756	2,159	-	(941)	1,218
Proved, Probable and Possible (3P)	**7,784**	(454)	(1,881)	**5,450**	**5,818**	(819)	(1,189)	**3,810**	8,754	(590)	(2,079)	**6,085**

Otto holds a 50% working interest (40.625% net revenue interest) in SM 71 through a wholly owned subsidiary Otto Energy (Louisiana) LLC. The operator, Byron Energy Limited (ASX:BYE) holds the remaining 50% working interest.

RESERVES & PROSPECTIVE RESOURCES (continued)

Lightning Reserves and Resources Statement:

Comment on the changes to reserves and resources:

- Lightning (Green #1): The startup of production at Lightning in May 2019 has resulted in maiden additional Probable Reserves (2P) to Otto Energy of 2,235 Mboe significantly exceeding the pre-drill prospective resource of 1,300 Mboe
- Production from the Green #1 well began in 2Q 2019 and has plateaued at 12 Mscf/day and 360 bopd of condensate since July 2019.
- Lightning (Green #2): The joint venture is progressing the drilling of a second well, Green #2, in the field commencing in October 2019. Full field development may require up to five wells to fully develop the Lightning accumulation.

Lightning	Gross (100%)			OTTO Net (28.569%)		
	Oil (Mbbl)	Gas (MMscf)	MBoe	Oil (Mbbl)	Gas (MMscf)	MBoe
Proved Producing	301	10,024	1,971	86	2,864	563
Proved Behind Pipe	102	3,410	671	29	974	192
Proved Undeveloped	305	10,155	1,997	87	2,901	571
Proven (1P)	**708**	**23,589**	**4,639**	**202**	**6,739**	**1,326**
Probable	486	16,196	3,185	139	4,627	910
Proven Plus Probable (2P)	**1.194**	**39,785**	**7,824**	**341**	**11,366**	**2,235**
Probable	978	32,607	6,413	279	9,315	1,835
Proven Plus Probable Plus Possible (3P)	**2,172**	**72,392**	**14,237**	**620**	**20,682**	**4,067**
Total Propsective Resource (best estimate, unrisked)			-	-	-	-

OTTO ENERGY LIMITED: Reserves Lightening (NRI Net to OTTO) Offshore Texas, USA												
Reserves Reconcilliation	Oil (Mbbl)				Gas (MMCF)				Mboe			
	Remaining 30/06/18	Production 2019	Additions & Revisions 2019	Remaining 30/06/19	Remaining 30/06/18	Production 2019	Additions & Revisions 2019	Remaining 30/06/19	Remaining 30/06/18	Production 2019	Additions & Revisions 2019	Remaining 30/06/19
Total												
Proved (1P)	-	(2)	204	**202**	-	(61)	6,800	**6.739**	-	(12)	1,337	**1,325**
Probable Reserves	-	-	139	139	-	-	4,627	4,627	-	-	910	910
Proved and Probable (2P)	-	(2)	343	**341**	-	(61)	11,427	**11,366**	-	(12)	2,247	**2,235**
Possible Reserves	-	-	279	279	-	-	9,315	9,315	-	-	1,832	1,832
Proved, Probable and Possible (3P)	-	(2)	622	**620**	-	(61)	20,743	**20,682**	-	(12)	4,079	**4,067**

Note: Gas volumes reported above exclude a 2% shrinkage factor.

Otto holds a 37.5% working interest (28.569% net revenue interest) in Lightning through a wholly owned subsidiary Otto Energy USA Inc. The operator, Hilcorp, holds the remaining working interest.

RESERVES & PROSPECTIVE RESOURCES (continued)

Prospective Resource as at 30 June 2019

Refer to comments and notes below the tables for commentary on recent activity related to Prospective Resources.

Gulf Coast Package

Prospect Name	Working Interest	Net Revenue Interest	Prospective Resources					
			100%			OTTO Net Revenue Interest		
			Gas (Bcfe)	Oil (Mmbbl)	Mmboe	Gas (Bcfe)	Oil (Mmbbl)	Mmboe
			Mean	Mean	Mean	Mean	Mean	Mean
Beluga	37.50%	30.00%	21.25	1.21	4.75	6.38	0.36	1.43
Mustang[1]	37.50%	28.50%	37.80	2.26	8.56	10.77	0.64	2.44
Oil Lake	37.50%	29.06%	6.73	3.34	4.46	1.95	0.97	1.30
Tarpon	37.50%	29.06%	161.97	9.21	47.07	47.07	2.68	10.52
Mallard	37.50%	29.63%	7.79	0.45	2.31	2.31	0.13	0.52

[1] Mustang prospective reserves are pre-drill estimates. The Mustang well is currently being prepared for flow testing and analysis.

Green Canyon 21

Prospect Name	Working Interest	Net Revenue Interest	Prospective Resources					
			100%			OTTO Net Revenue Interest		
			Gas (Bcfe)	Oil (Mmbbl)	Mmboe	Gas (Bcfe)	Oil (Mmbbl)	Mmboe
			Mean	Mean	Mean	Mean	Mean	Mean
GC 21 Bulleit[2]	16.67%	13.34%	9.43	12.93	14.50	1.26	1.72	1.93

[2] GC 21 Bulleit prospective reserves are pre-drill estimates. The GC 21 development plan is being progressed by the Operator to complete the discovery well in mid-2020. The joint venture will undertake a review of the Operator's plan of development in the coming month with formal commitment to the development expected shortly thereafter.

Alaska Central North Slope

Prospect Name	Working Interest	Net Revenue Interest	Prospective Resources					
			100%			OTTO Net Revenue Interest		
			Gas (Bcfe)	Oil (Mmbbl)	Mmboe	Gas (Bcfe)	Oil (Mmbbl)	Mmboe
			Mean	Mean	Mean	Mean	Mean	Mean
Blackbird	10.80%	9 - 9.45%		28.40	28.40		2.56	2.56
Helio	10.80%	9 - 9.45%		67.90	67.90		6.11	6.11
Hellcat	10.80%	9 - 9.45%		74.30	74.30		6.69	6.69
Skywagon	10.80%	9 - 9.45%		57.70	57.70		5.19	5.19
Avenger	10.80%	9 - 9.45%		100.10	100.10		9.01	9.01
Corsair	10.80%	9 - 9.45%		330.60	330.60		29.75	29.75

RESERVES & PROSPECTIVE RESOURCES (continued)

Comment on the changes to prospective resources:

- **Mustang (Thunder Gulch #1):** Otto announced on 23 July 2019 that the Thunder Gulch #1 well had successfully drilled to final total depth of 18,164 feet MD and that petrophysical evaluation had confirmed the well had intersected a minimum of 57 feet of net pay. Production casing has been run with the well set for completion and testing due to occur in the coming weeks. Subject to the results of well testing and commencement of production, Otto expects to convert the Mustang Prospective Resource into Reserves in the coming months.
- **Green Canyon 21 ('Bulleit'):** Otto announced on 8 August 2019 that the GC21 Bulleit well had successfully reached total depth of 15,675 feet MD. The well has intersected 140 feet TVD of net pay in the DTR-10 interval and a further approximately 110 feet TVD of net pay in the MP interval. The well has been suspended as a future production well. Otto expects to convert the GC21 Bulleit Prospective Resource into Reserves upon sanction of the field development expected in the coming months.
- **Alaska Central North Slope:** Otto notes that the operator of the Alaska North Slope, Pantheon Resources PLC (AIM: PANR) has announced that it will hold an Alaskan Project update in London on 24 September 2019. Pantheon has entered a partnership with eSeis Inc, a Houston based pioneer in high tech geophysics and seismic petrophysics, to support Pantheon furthering the geophysical and petrophysical understanding of the Alaskan Central North Slope exploration potential. Further information will be provided to the market following Pantheon's update.
- **VR 232:** VR232 is undergoing evaluation after Otto Energy acquired Byron Energy's (ASX:BYE) 50% interest and operatorship in VR 232 at no cost (announced to the ASX on 9 May 2019).

Notes to Reserves and Resources Statement

Reserves and Resources Governance

Otto's reserves estimates are compiled annually. The operator of SM 71, Byron Energy, engages Collarini and Associates, a qualified external petroleum engineering consultant, to conduct an independent assessment of the SM 71 reserves on behalf of the joint venture. Collarini and Associates is an independent petroleum engineering consulting firm that has been providing petroleum consulting services in the USA for more than fifteen years. Collarini and Associates does not have any financial interest or own any shares in the Company. The fees paid to Collarini and Associates are not contingent on the reserves outcome of the reserves report.

Otto engages Ryder Scott Company, a qualified external petroleum engineering consultant, to conduct an independent assessment of the Lightning Field reserves on behalf of Otto. Ryder Scott Company is an independent petroleum engineering consulting firm that has been providing petroleum consulting services in the USA for more than fifty years. Ryder Scott Company does not have any financial interest or own any shares in the Company. The fees paid to Ryder Scott Company are not contingent on the reserves outcome of the reserves report.

Competent Persons Statement

The information in this report that relates to oil and gas reserves and resources at SM 71 was compiled by technical employees of independent consultants Collarini and Associates, under the supervision of Mr Mitch Reece BSc PE. Mr Reece is the President of Collarini and Associates and is a registered professional engineer in the State of Texas and a member of the Society of Petroleum Evaluation Engineers (SPEE), Society of Petroleum Engineers (SPE), and American Petroleum Institute (API). The reserves and resources included in this report have been prepared using definitions and guidelines consistent with the 2007 Society of Petroleum Engineers (SPE)/World Petroleum Council (WPC)/American Association of Petroleum Geologists (AAPG)/Society of Petroleum Evaluation Engineers (SPEE) Petroleum Resources Management System (PRMS). The reserves and resources information reported in this Statement are based on,

RESERVES & PROSPECTIVE RESOURCES (continued)

and fairly represents, information and supporting documentation prepared by, or under the supervision of, Mr Reece. Mr Reece is qualified in accordance with the requirements of ASX Listing Rule 5.41 and consents to the inclusion of the information in this report of the matters based on this information in the form and context in which it appears.

The information in this report that relates to oil and gas reserves and resources at the Lightning Field was compiled by technical employees of independent consultants Ryder Scott Company, under the supervision of Mr. Ali Porbandarwala PE. Mr. Porbandarwala is a Senior Vice President at Ryder Scott Company and is a registered professional engineer in the State of Texas and a member of the Society of Petroleum Engineers (SPE). He has a B.S. Chemical Engineering from the University of Kansas and an MBA from the University of Texas. The reserves 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 information reported in this Statement are based on, and fairly represents, information and supporting documentation prepared by, or under the supervision of Mr. Porbandarwala. Mr. Porbandarwala 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 information in this report that relates to oil and gas prospective resources in relation to the Gulf Coast Package (Mustang, Beluga, Oil Lake, Tarpon and Mallard) in the Gulf of Mexico was compiled by technical employees of Hilcorp Energy Company, the Operator of the Gulf Coast Package, and subsequently reviewed by Mr Ed Buckle B.S. Chemical Engineering (Magna Cum Laude) who has consented to the inclusion of such information in this report in the form and context in which it appears.

The information in this report that relates to oil and gas resources in relation to Green Canyon 21 (GC 21) in the Gulf of Mexico was compiled by technical employees of Talos Energy and reviewed by Mr Ed Buckle B.S. Chemical Engineering (Magna Cum Laude), who has consented to the inclusion of such information in this report in the form and context in which it appears.

Mr Buckle is an full-time contractor 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 Buckle. Mr Buckle 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 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 statements.

RESERVES & PROSPECTIVE RESOURCES (continued)

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.

Pricing Assumptions

Oil price assumptions used in the independent report represent forward prices (CME Nymex) as at 28 June 2019.

ASX Reserves and Resources Reporting Notes

(i) The reserves and prospective resources information in this document is effective as at 30 June, 2019 (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 SPEÐPRMS (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 prospective resource net of royalties (LR 5.25.5)

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

(v) The reserves and prospective resources information in this document has been estimated using a ratio of 6,000 cubic feet of natural gas to one barrel of oil. This conversion ratio is based on an energy equivalency conversion method and does not represent value equivalency (LR 5.25.7)

(vi) The reserves and prospective resources information in this document has been estimated on the basis that products are sold on the spot market with delivery at the sales point on the production facilities (LR 5.26.5)

(vii) The method of aggregation used in calculating estimated reserves was the arithmetic summation by category of reserves. As a result of the arithmetic aggregation of the field totals, the aggregate 1P may be a very conservative estimate and the aggregate 3P may be a very optimistic estimate due to the portfolio effects of arithmetic summation (LR 5.26.7 & 5.26.8)

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

(ix) For prospective resources, the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons (LR 5.28.2)

(x) The reserve numbers assume some investment over the life of the field outlined above.

Glossary

Bbl	barrels	**Btu**	British Thermal Units	**MMBL**	million barrels of oil
bcf	billion cubic feet	**EUR**	Economic Ultimate Recovery	**Mboe**	thousand barrels of oil equivalent
Bcfe	billion cubic feet equivalent	**Mcfg**	thousand cubic of gas	**MMboe**	million barrels of oil equivalent
boe	barrels of oil equivalent	**Mcfgpd**	thousand cubic feet of gas per day	**MCF**	thousand cubic feet
Bopd	barrels of oil per day	**MMcf**	million cubic feet	**mmbtu**	million British Thermal Units
		MBL	thousand barrels of oil		

FINANCIAL REPORT 2019

For the year ended 30 June 2019

Financial Report 2019

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Annual General Meeting

The Annual General Meeting of Otto Energy Limited will be held in Sydney on 21 November 2019.

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 & Deputy Chairman Mr Paul Senycia – Non-Executive Director Mr Kevin Small – Executive Director
Company Secretary	Mr David Rich
Key Executives	Mr Matthew Allen – Managing Director and Chief Executive Officer Mr Will Armstrong – Vice President Exploration and New Ventures Mr Kevin Small – Senior Exploration Consultant Mr Philip Trajanovich – Senior Commercial Manager 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 ASX Code: OEL
Website address	www.ottoenergy.com
ABN	56 107 555 046

DIRECTORS' REPORT

For the year ended 30 June 2019

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 2019 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 except for Kevin Small appointed 29 January 2019.

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 Chairman of the Remuneration and Nomination Committee and a member the Audit and Risk Management Committee.

Mr Jetter, has confirmed to the Board, and the Board has agreed, that he will step down from the role of Chairperson at the coming Annual General Meeting of shareholders on 21 November 2019. Mr Jetter will remain as a non-executive director in order to oversee the seamless transition of the role of Chairperson and the successful delivery of Otto's Board renewal which has commenced under his guidance. Mr Jetter will not seek re-election at the Annual General Meeting in 2020.

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 Boserio BSc Hons First Class (Geophysics), BSc (Geology) GAICD
Deputy Chairman (Independent Non-Executive)
Appointed Non-Executive Director 2 September 2010 and Deputy Chairman 8 September 2019
Mr Ian Boserio brings to the Otto Board more than 35 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 and the Remuneration and Nomination Committee. The Board has nominated Mr Boserio to become Chairman after the Company's 2019 Annual General Meeting on 21 November 2019 when Mr Jetter steps down.

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 is Chairman of the Audit and Risk Management Committee.

Mr Macliver has advised the Board that he will retire upon the appointment of a suitably qualified, independent non-executive director to assume the roles he currently occupies. A process has commenced to identify a candidate for this role and Mr Macliver has advised that he will retire from the Board of Otto Energy at the time his replacement is appointed, or at the latest by 30 June 2020.

Mr Paul Senycia BSc (Hons), MAppSc
Director (Non-Executive)
Appointed 24 April 2018, became non-executive on 1 January 2019
Mr Paul Senycia is an seasoned geoscientist with over 35 years of international oil and gas experience in both commercial and technical aspects of the business. Mr Senycia has held senior roles in large and small companies worldwide including Shell, Woodside and Beach Petroleum. Over the last twenty years Mr Senycia has accumulated substantial Gulf of Mexico expertise both on the shelf and in the deep water. This has included deal capture, asset management and project divestment activities. Outside the Gulf of Mexico, Mr Senycia has worked in Europe, Asia, Africa and Australasia both on and offshore.

Up until his retirement on 31 December 2018, Mr Senycia was the Vice President – Exploration and New Ventures for the Company. Mr Senycia is a member of the Remuneration and Nomination Committee.

Mr Kevin Small BSc Goephysical Engineering (Hons)
Director (Executive)
Appointed 29 January 2019
Mr Kevin Small is an exploration geoscientist with over forty years' experience in the Gulf of Mexico both onshore and offshore, and has been responsible for the generation, farm-in, drilling and development of numerous Gulf Coast discoveries. Kevin brings extensive networks and relevant experience to Otto's Gulf Coast business.

Prior to joining Otto Mr Small worked with Tri-C Resources, a privately owned Houston based oil and gas company, developing Gulf Coast conventional prospects for drilling. Between 2003 and 2012, Mr Small worked for Bluestreak Exploration Group developing prospects exclusively for LLOG Exploration which resulted in successful discoveries on the Gulf of Mexico Shelf and Deepwater. Mr Small was the Exploration Manager and a founding member of the Houston office of Westport Oil and Gas Company between 1996 and 2003, ultimately helping them go public in October 2000. Mr Small also has worked for the Superior Oil Company and McMoran Oil and Gas. During his time with LLOG, Westport, and McMoRan, Mr Small drilled wells with cumulative production of over 692 BCFG and 82 MMBO.

Company Secretary

Mr David Rich BCom, FCA, GAICD, AGIA, Grad.Dip.CSP
Appointed 31 January 2017
Mr Rich is an experienced public company CFO and Company Secretary with over 30 years commercial experience including 17 years as CFO of ASX listed upstream oil and gas companies with international interests including Australia, Europe, Asia, Africa and the USA. As at the date of this report, Mr Rich had resigned as Company Secretary and Chief Financial Officer with effect from 1 November 2019.

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 rights
Mr J Jetter	28,940,834	1,804,667
Mr M Allen	10,770,801	8,908,000
Mr I Macliver	7,490,352	1,212,667
Mr I Boserio	3,612,763	1,082,333
Mr P Senycia	4,711,468	5,069,000
Mr K Small	12,371,515	4,840,000

Principal activities

The principal activity of the Group is oil and gas exploration, development, production and sales in North America.

Dividends

No dividend has been declared for the year ended 30 June 2019.

Operating and Financial Review

During the year ended 30 June 2019 Otto participated in the drilling of seven exploration/appraisal wells and of these, three resulted in discoveries. One of these, Lightning, commenced production in May 2019, bringing Otto's number of producing assets in the Gulf of Mexico area to two.

Financial Summary

Otto's net revenue from production during the year was US$31.2 million (2018: US$9.5 million) generating a significant operating gross profit of US$23.4 million (2018: US$7.9 million). Costs of production included US$5.0 million for amortisation of oil and gas properties (2018: US$0.9 million).

Under Otto's accounting policy, exploration expenses are written off as incurred and for the year Otto's exploration expenditure was US$37.8 million (2018: US$4.8 million) which included the following wells; Winx-1, Bivouac Peak, Green Canyon 21, Lightning, Mustang, Big Tex and Don Julio 2.

Overall the Group recognised a loss after income tax for the year of $18.4 million (2018: loss $5.2 million). Administration costs were US$5.1 million, up from US$4.0 million in 2018. This includes business development costs of US$0.7 million (2018: US$0.5 million) and the costs of establishing the office and management team in Houston and transitioning roles and duties from Perth.

Finance costs included the reversal (credit) of the previous fair value adjustment on the embedded derivative element of convertible note of US$3.2 million (2018: US$2.4 million expense) (all non-cash). With this reversal, the total finance cost for the year was a credit (income) of US$1.0 million (2018: US$4.4 million expense). Finance costs also included other non-cash items of accretion of effective interest on convertible notes (US$0.4 million (2018: US$0.3 million)), and amortisation of borrowing costs (US$0.2 million (2018: US$0.2 million)). The other material component of finance costs was interest on the convertible notes (US$1.2 million (2018: US$1.2 million)).

Two capital raisings totaling US$36.6 million [before costs] were undertaken during the year to fund the exploration drilling. A detailed review of the operations of the Group during the financial year are set out below.

1. Production and Development

Reserves Statement as at 30 June 2019

On 19 September 2019 the Company released its statement of reserves and resources as at 30 June 2019, which included the maiden reserves booking for the Lightning discovery. The summary is set out below and further details are included in the subsequent events section.

Total	Gross (100%)			Otto Net		
	Oil (Mbbl)	Gas (MMscf)	MBoe	Oil (Mbbl)	Gas (MMscf)	MBoe
Proved Producing	3,219	12,599	5,318	1,271	3,910	1,923
Proved Behind Pipe	682	3,765	1,310	265	1,118	452
Proved Undeveloped	1,927	11,117	3,779	746	3,292	1,295
Proven (1P)	**5,828**	**27,481**	**10,407**	**2,282**	**8,320**	**3,670**
Probable	6,094	19,823	9,398	2,417	6,101	3,434
Proven Plus Probable (2P)	**11,922**	**47,304**	**19,806**	**4,699**	**14,421**	**7,103**
Possible	3,664	34,468	9,409	1,371	10,072	3,049
Proven Plus Probable Plus Possible (3P)	**15,586**	**81,772**	**29,214**	**6,070**	**24,492**	**10,152**
Total Prospective Resource (best estimate, unrisked)				67,309	89,875	82,289

South Marsh Island 71 (SM 71) – Offshore Gulf of Mexico. Otto WI 50.0%

Otto owns a 50% Working Interest ("WI") and a 40.625% Net Revenue Interest ("NRI") in the South Marsh Island block 71 ("SM 71"), with Byron Energy Limited ("Byron") the operator, holding an equivalent WI and NRI. Water depth in the area is approximately 137 feet.

Following the initial discovery by Otto and Byron in 2016, oil and gas production from the SM 71 F platform began in late March 2018 from two wells with the third well coming on line in early April 2018. The F1 and F3 wells are completed in the primary D5 Sand reservoir and the F2 well is completed in the B55 Sand, a secondary exploration target.

The SM 71 F facility has now produced over 1.6 million barrels of oil (gross) since initial production began. The facility has also produced over 2.4 billion cubic feet of gas (gross) which, on a revenue basis, is approximately equivalent to an additional 128,000 barrels of oil.

After the initial expected decline in production, aquifer support has stabilized and in fact, increased oil production over the second half of the financial year. The field is currently producing in excess of initial expectations.

Production and revenue details for the year ended 30 June 2019 are set out below:

Production Volumes	Quarter Ended			
	30-Sep-18	31-Dec-18	31-Mar-19	30-Jun-19
Gross (100%)				
SM 71 – Oil (bbls)	324,597	271,074	255,880	264,992
SM 71 – Oil (bopd)	3,528	2,946	2,843	2,912
SM 71 – Gas (Mscf)	355,605	582,593	607,580	469,196
Otto WI Share (50%)				
SM 71 – Oil (bbls)	162,298	135,537	127,940	132,496
SM 71 – Oil (bopd)	1,764	1,473	1,422	1,456
SM 71 – Gas (Mscf)	177,802	291,296	303,790	234,598
Otto NRI Share (40.625%)				
SM 71 – Oil (bbls)	131,868	110,124	103,951	107,653
SM 71 – Oil (bopd)	1,433	1,197	1,155	1,183
SM 71 – Gas (Mscf)	144,464	236,678	246,829	190,611

Sales Revenue – Otto 50% WI share (before royalties)	Quarter Ended			
USD	30-Sep-18	31-Dec-18	31-Mar-19	30-Jun-19
SM 71 – Oil - $'million	11.17	8.25	6.99	8.16
SM 71 – Oil - $ per bbl	68.82	60.85	54.65	61.59
SM 71 – Gas - $'000	615	1208	977	643
SM 71 – Gas – $ per MMbtu	3.17	3.81	2.93	$2.49

Notes

1. Otto sells its high quality Louisiana Light Sweet crude ("LLS") produced at SM 71 at premium to West Texas Intermediate ("WTI") based on current LLS versus WTI price differentials. Deductions are then applied for transportation, oil shrinkage, basic sediment & water (BS&W), and other applicable adjustments.
2. Gas revenues include NGLs. 1 Mscf = 1.09 MMbtu in June for SM 71 production. The thermal content of SM 71 gas may vary over time.

On 19 September 2019 Otto released its annual reserves statement as at 30 June 2019. The table below summarises the SM 71 reserves and resources position at 30 June 2019. Refer to the subsequent events section for further details on this and progress on development wells in SM 71.

SM 71	Gross (100%)			Otto Net (40.625%)		
	Oil (Mbbl)	Gas (MMscf)	MBoe	Oil (Mbbl)	Gas (MMscf)	MBoe
Proved Producing	2,918	2,575	3,347	1,185	1,046	1,360
Proved Behind Pipe	580	355	639	236	144	260
Proved Undeveloped	1,622	962	1,782	659	391	724
Proven (1P)	**5,120**	**3,892**	**5,768**	**2,080**	**1,581**	**2,344**
Probable	5,608	3,627	6,213	2,278	1,473	2,524
Proven Plus Probable (2P)	**10,728**	**7,519**	**11,981**	**4,358**	**3,055**	**4,867**
Possible	2,686	1,861	2,996	1,091	756	1,217
Proven Plus Probable Plus Possible (3P)	**13,414**	**9,380**	**14,977**	**5,449**	**3,811**	**6,085**
Total Prospective Resource (best estimate, unrisked)	3,665	49,569	11,927	1,489	20,137	4,845

Lightning – Onshore Matagorda County, Texas. Otto WI 37.5%

The Green #1 well on the Lightning prospect in Matagorda County Texas commenced drilling in early December 2018. The well reached total depth of 15,218ft MD (15,216ft TVD) in early February 2019 with wireline logs indicating 180 feet of net pay, significantly in excess of pre-drill expectations.

Through participation in the drilling of the Lightning exploration well, Otto earned a 37.5% working interest in the leases covering the Lightning prospect.

Following the discovery, facilities were installed and the well was connected to a nearby sales gas pipeline. Perforations and testing occurred during April and May with the well reaching steady state production of 12 MMscf/day in raw gas and 365 bbl/day in condensate (Otto's 37.5% Working Interest is 4.5 MMscf/d and 137 bbls/d) in late June 2019.

Commissioning hydrocarbon sales in May and June 2019 contributed to Otto revenue, with the first full month of contribution occurring in July 2019. First sales proceeds were received in July 2019.

Production Volumes*	2019
Gross (100%)	
Lightning – Oil (bbls)	5,685
Lightning – Gas (Mscf)	167,393
Lightning – NGLs (bbls)	7,591
Otto WI Share (37.5%)	
Lightning – Oil (bbls)	2,132
Lightning – Gas (Mscf)	62,772
Lightning – NGLs (bbls)	2,847
Otto NRI Share	
Lightning – Oil (bbls)	1,624
Lightning – Gas (Mscf)	47,822
Lightning – NGLs (bbls)	2,169

Sales Revenue – Otto 37.5% WI share (before royalties)	2019
USD	
Oil - $'million	0.13
Oil - $ per bbl	60.70
Gas - $'000	143.33
Gas – $ per MMbtu	2.32
NGLs - $'000	31.54
NGLs – $ per bbl	11.08

* Lightning annual production reflects only limited production during start up and commissioning of field during May and June 2019. July 2019 full month production totalled 10,000 bbl and 343 MMscf of Raw Gas (8/8ths).

The joint venture is progressing the drilling of a second well, Green #2, in the field commencing in October 2019. Full field development may require up to five wells to fully develop the Lightning accumulation.

On 19 September 2019 Otto released its annual reserves statement as at 30 June 2019 which included the maiden reserves statement for the Lightning field. The table below summarises the Lightning reserves and resources position at 30 June 2019. Refer to the subsequent events section for further details on this and progress on the Green#2 development well.

Lightning	Gross (100%)			Otto Net (28.569%)		
	Oil (Mbbl)	Gas (MMscf)	MBoe	Oil (Mbbl)	Gas (MMscf)	MBoe
Proved Producing	301	10,024	1,971	86	2,864	563
Proved Behind Pipe	102	3,410	671	29	974	192
Proved Undeveloped	305	10,155	1,997	87	2,901	571
Proven (1P)	**708**	**23,589**	**4,639**	**202**	**6,739**	**1,326**
Probable	486	16,196	3,185	139	4,627	910
Proven Plus Probable (2P)	**1,194**	**39,785**	**7,824**	**341**	**11,366**	**2,235**
Possible	978	32,607	6,413	279	9,315	1,832
Proven Plus Probable Plus Possible (3P)	**2,172**	**72,392**	**14,237**	**620**	**20,682**	**4,067**
Total Prospective Resource (best estimate, unrisked)			-	-	-	-

Green Canyon 21 (GC 21) – Offshore Gulf of Mexico. Otto WI 16.67%

On 29 March 2019 Otto announced that it has entered into a joint venture with Talos Energy (NYSE: TALO) which will see it earn a 16.67% working interest in the Green Canyon 21 (GC-21) lease in the Gulf Mexico through paying 22.22% of the cost of the drilling of the "Bulleit" appraisal well in GC-21. The well was to be drilled by Talos Energy, a highly experienced Gulf of Mexico operator based in Houston. Talos had the Noble Don Taylor drillship contracted to undertake the drilling of the Bulleit prospect.

The "Bulleit" appraisal well commenced drilling on 6 May 2019. On 13 June 2019, The Company announced that the upper target, the DTR-10 sand, was intersected and a commercial outcome was confirmed.

On 8 August 2019 Otto announced that the GC 21 "Bulleit" well, operated by Talos Energy, Inc ("Talos") (NYSE: TALO) had been successfully drilled to Total Depth. The well drilled through the deeper exploration target, the MP sands, after intersecting oil pay in the shallower DTR-10 sand package as announced to the ASX on 13 June 2019. The well intersected the following discovered intervals:

- DTR-10 interval –net 140 feet of TVD oil pay encountered; and
- MP interval – approximately net 110 feet of TVD oil pay expected to be delivered in high quality reservoir consistent with analogue wells in the GC18 field.

Following the discovery in the DTR-10 sands, attempt to drill to the deeper objective MP sands were delayed due to poor hole conditions and compromised drilling operations requiring sidetracking. In addition, the passing of Hurricane Barry required the rig to disconnect to ensure safe operations. As a result of these operations, the cost of drilling the GC21 "Bulleit" well exceeded the pre-drill estimates of US$9.0m net to Otto. The effect of these events is now expected to increase Otto's financial exposure to the Bulleit well by approximately US$6.5 to US$7.5m net to Otto.

The GC 21 development plan is being progressed by the Operator to complete the discovery well in the first half of 2020. The Operator will complete the well as a production well and then tie it back to the Talos-owned and operated Green Canyon 18 (GC 18A) facility approximately 10 miles (~16 km) west of the "Bulleit" well.

The development will involve the use of a subsea completion that is common for projects of this nature and water depth in the Gulf of Mexico. The joint venture will undertake a review of the operator's plan of development in the coming month with formal commitment to the development expected shortly thereafter.

2. Exploration and Appraisal

Gulf Coast Package - Hilcorp

On 31 July 2018 Otto announced that it had entered into a joint venture with Hilcorp Energy which will see it earn a 37.5% working interest in an eight well portfolio of prospects in the Onshore/Near Shore USA Gulf Coast (Gulf of Mexico). The wells are being drilled by Hilcorp, a highly experienced operator based in Houston.

Otto will earn a 37.5% working interest by paying 50.0% of the costs of drilling and either setting casing or plugging and abandoning the initial exploration well plus lease acquisition costs at each of the eight prospects.

Four wells have now been drilled (Big Tex, Lightning, Don Julio 2 and Mustang) with Lightning and Mustang being discoveries.

Lightning was a discovery with net pay of 180 feet which is significantly in excess of the pre-drill estimates. The well is now in production. Further details on Lightning are covered in the production section of this report.

On 23 July 2019 Otto announced that the initial exploration well on the Mustang prospect had discovered a net 57 foot TVT interval of hydrocarbon pay. The well is currently being prepared for testing for final evaluation of the well before being tied back for production. Refer to the subsequent events section of this report for further information on the Mustang discovery.

The initial exploration well on the Big Tex prospect, SL 192 PP 031, commenced on 28 August 2018 and reached a final total depth of 13,722ft MD (13,172ft TVD). A triple combo wireline logging suite was subsequently acquired over the target prospective Middle Miocene Tex W16 and Tex W18 Sand intervals as well as several sidewall cores. Petrophysical log evaluation indicated the presence of a number of hydrocarbon bearing zones, however insufficient producible reservoir was encountered to justify the additional cost of completing the well for production. The Joint Venture subsequently plugged and abandon the well as sub-commercial.

On 11 March 2019 the Company advised that the initial exploration well on the Don Julio 2 exploration prospect, Middleton Trust #1 well, was drilled to a final total depth of 11,900 ft MD/ 11,799 ft TVD. Quad-combo wireline and sidewall cores were then acquired over the prospective interval. Evaluation of the wireline logs indicated the well had not intersected producible reservoir and no indications of hydrocarbons were evident whilst drilling. The well was then plugged and abandoned.

The well was testing an Oligocene age, upper Vicksburg prospect that was generated on modern 3D seismic. The well targeted a typical AVO anomaly using seismic data but encountered an unexpected volcanic ash bed immediately above the target interval, creating an AVO "false positive" anomaly. There are no other known volcanic ash beds within this interval in the area.

There are four wells left in the program which are expected to be drilled over the next 6 - 9 months, subject to finalising regulatory and permitting approvals. With Beluga expected to commence drilling in the fourth quarter of 2019.

Prospect Name (State)	Working Interest	Net Revenue Interest	Target Depth (TVD) ft	Probability of Success	Prospective Resources (MMboe) Otto Net Revenue Interest			
					P90	P50	Mean	P10
Beluga, TX	37.5%	28.5%	13,000	45%	0.2	0.9	1.4	3.4
Mallard, LA	37.5%	29.63%	11,000	64%	0.1	0.3	0.5	1.3
Tarpon, TX	37.5%	29.06%	14,000	34%	2.2	7.0	10.5	23.5
Oil Lake, LA	37.5%	29.06%	14,500	45%	0.3	1.0	1.3	2.7

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.

Additional Upside

With the successful drilling of the Mustang prospect, Otto has ground floor rights (ie pays only its working interest) to participate in the nearby Corsair/Hellcat opportunities. These wells are in addition to the eight wells in the original program announced with Hilcorp. Should the Tarpon prospect be successful then Otto has ground floor rights (ie. It pays only its working interest) to participate in the nearby Damsel opportunity.

Under the agreement with Hilcorp (JEDA) Otto has a right of first offer to a subsequent Gulf Coast program, if Hilcorp elect to offer such a program to third parties.

Bivouac Peak

Drilling of the Weiss-Adler, et. al. No. 1 well by the Parker 77B rig commenced on 25 of August 2018 by the Operator, Byron Energy. The well was drilled to a depth of 17,766 feet MD and evaluated utilising quad combo wireline logging tools, tied to seismic using a synthetic generated from such data, and deemed uncommercial. The plug and abandonment operations were completed on 22 October 2018 and the Parker 77B rig released. Otto has no ongoing interest in the Bivouac Peak leases.

Vermillion 232 (VR 232)

In June 2018 Byron Energy Inc, a wholly owned subsidiary of Byron Energy Limited was advised by the Bureau of Ocean Energy Management ("BOEM") that its bid for VR 232 was deemed acceptable by the BOEM and the lease was awarded to Byron. Pursuant to the terms of a Participation Agreement, effective 1 December 2015, between Byron and Otto, Otto elected to participate in VR 232 at a fifty percent (50%) working interest. The lease is subject to a 12.5% Federal Government royalty.

Having elected to participate in VR 232 at a 50% working interest, Otto's right to participate in new assets or projects under the December 2015 Participation Agreement with Byron had been fulfilled.

In May 2019 Otto acquired Byron Energy's 50% interest in, and operatorship of, VR 232 at no cost. Upon completion of the transfer, Otto's working interest will be 100% and net revenue interest will be 87.5%.

VR 232 is adjacent to Otto's 50% owned SM 71 oil field and adds drilling opportunities which increase Otto's potential upside around the SM 71 facilities. Over 2 Bcf of gas and 30 Mbbls of oil have been produced from VR 232 between 1995 and 1997.

Otto has recently acquired a modern, high quality 3D seismic data set over the SM 71 area (including VR 232) and part of the work being done will focus on the prospectivity of VR 232 given its proximity to SM 71.

Alaska Western Blocks

On 25 June 2018 Otto, along with 88 Energy Limited (ASX:88E) and Red Emperor Resources NL (ASX:RMP) (collectively the "Consortium Partners"), announced they had executed a binding term sheet agreement with Great Bear Petroleum Ventures II LLC ("Great Bear") to acquire the majority of Great Bear's working interest in four leases comprising the "Western Blocks" (ADL#s 391718, 391719, 319720 and 391721) totaling over 22,710 acres. On 30 July 2018 Otto advised that the definitive agreements had been executed with Otto holding a 22.5% working interest in the new joint venture (18.75 Net Revenue Interest).

The Winx Prospect was a very large, 3D seismic defined oil prospect in the successful Nanushuk play fairway. Sitting immediately adjacent to one of the largest North American conventional oil discoveries made in recent times, the Winx-1 well will exposed Otto's shareholders to a prospect of significant size with similar attributes.

The Winx-1 well commenced drilling on 15 February 2019 and intersected all of the pre-drill targets safely and efficiently. Total Depth of 6,800' was reached on 3 March 2019. A comprehensive wireline logging program was then successfully run and completed.

Provisional petrophysical analysis of the wireline logging program indicated low oil saturations in the primary Nanushuk Topset objectives; testing and fluid sampling indicated that reservoir quality and fluid mobility at this location was insufficient to warrant production testing, despite encouragement from oil shows and logging while drilling (LWD) data. Winx-1 was subsequently plugged and abandoned.

The forward plan is to further evaluate and integrate the valuable data acquired at Winx and reprocess the Nanuq 3D seismic (2004) in order to evaluate the remaining prospectivity on the Western Leases including the Nanushuk Fairway potential.

Alaska Central Blocks

Through its agreements with Great Bear Petroleum Operating ("Great Bear") in 2015, Otto has between an 8% and 10.8% working interest in 54 leases (covering 154,295 gross acres) held by Pantheon Resources plc (AIM:PANR) on the Alaskan North Slope ("Central Blocks").

Pantheon's acquisition of Great Bear Petroleum Ventures I LLC and Great Bear Petroleum Ventures II LLC (collectively: Great Bear) completed in January 2019.

The leases are in a major play fairway south of the Prudhoe Bay and Kuparuk giant oil fields.

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

Otto's exposure on the first two wells is limited to US$2.6m/well. Otto had no activity in this area during the year ended 30 June 2019. 19 leases deemed unprospective were relinquished during the year and a further 17 transferred to Burgundy Xploration LLC for US$6,054.

3. Corporate and Administration

Houston Office

During the year the Company has completed the establishment of its Houston office and appointment of a US-based technical team. Managing Director Matthew Allen relocated to Houston in August 2018 to lead the team. In addition, Otto announced the following technical appointments in Houston:

Will Armstrong – Vice President, Exploration and New Ventures

Philip Trajanovich – Senior Commercial Manager

Mark Sunwall – Senior Exploration Consultant

Kevin Small – Senior Exploration Consultant

The exploration team is led by Will Armstrong, who has more than 30 years of experience across the Gulf of Mexico. Will's exploration work has seen the drilling of 162 prospects across his career at a commercial success rate in excess of 66%.

The exploration team were engaged as consultants inside the Otto business since early 2018. This involved the screening of a number of prospects and investment opportunities including the Hilcorp Gulf Coast package.

Tanzania

During the year the Company also received the full US$800,000 owed by Swala under settlement and other commercial arrangements as set out in Otto's ASX release of 26 May 2017.

Commodity Price Risk Management

On 3 April 2019 Otto announced that it has implemented a hedging program in the United States for its SM 71 oil production. The hedging program is designed to provide certainty of cash flows and funding during a period of significant investment in growth projects.

Otto acquired US$60/bbl puts over 111,000 bbls of oil production from its interest in the SM 71 oil field. The monthly volumes covered by the put options are between 50% and 70% of the forecast Proved Developed Producing (PDP) production from the field (PDP forecast is as per the Collarini 30 June 2018 reserves estimation. See the ASX release of 6 August 2018) .

The puts are based on the LLS benchmark and the premium for the puts is US$1.75/bbl amounting to a total of US$194,000, payable up front.

The use of US$60/bbl strike price put options provide Otto with a minimum price receivable for those barrels. Otto still maintains the upside exposure where the LLS benchmark price achieved is over US$60/bbl.

On 20 September 2019 Otto acquired $55.00 per barrel put options over 34,500 barrels of oil from October 2019 to January 2020 at a premium of $1.83 per barrel in accordance with its commodity price risk management policy.

Strategy

The Company's core strategic goal is to grow production in the Gulf of Mexico to 5,000 boepd by the end of 2020.

As at the date of this report the status of execution of this strategy is as follows:

- Through successful exploration Otto has built a portfolio of four conventional oil and gas properties in the US Gulf of Mexico and Gulf Coast with two in production and two in the development/evaluation stage. These four projects, when all in full production (anticipated in the second half of 2020), are expected to take Otto close to its stated goal of 5,000 boepd;
- Growth strategy underpinned by strong production and cash flow from flagship Gulf of Mexico SM 71 asset and the onshore Lightning field that commenced production in May 2019;
- Exciting pipeline of up to four high-impact exploration opportunities as well as development wells taking place over the next six months;
- Progressing a finance facility for funding current and future developments thus allowing Otto to continue to look for further growth opportunities in the Gulf of Mexico; and
- An experienced team located in Houston with a track record of successfully growing, operating and divesting oil and gas assets globally who understand risk and capital management.

Gulf of Mexico

The Company's strategy is currently focused on growing its business in the Gulf of Mexico for the following reasons:

- Proven prolific hydrocarbon province where technologies such as RTM seismic processing continue to create new opportunities;
- Low sovereign risk;
- High margin oil with breakeven economics around US$20/barrel;
- Short cycle time from discovery to development of 8-18 months;
- Low cost drilling and development;
- Relatively low risk exploration;
- Deal flow is liquid and a full spectrum of opportunity size is available;
- Otto has area expertise and well developed business relationships; and
- Otto has production in the area.

In order to deliver on the strategy, the Company's business development focus over the past year in the Gulf of Mexico has been on pursuing prospects with the following characteristics:

- Miocene/Pliocene/Oligocene geology which are amplitude supported;
- Investing capital into drilling, not seismic;
- Seeking early cashflow/ROI – Approximately 12-18 months from exploration to production;
- Progressing from the shallow water (<300 feet) and onshore to smaller manageable working interests in the deeper transition zone following exploration success – keeping capex manageable; and
- High liquids yields to increase margins.

Key Risks

The key areas of risk, uncertainty and material issues that could affect the achievement of Otto's strategic goals and delivering on its targets are described below. Note that this is not an exhaustive list of risks that may potentially affect the Company.

Operating Risk

Sustained, unplanned interruption to production may impact Otto's financial performance and its ability to fund its forward programs. The facilities in which we currently have a non-operated working interest and third party pipelines, refineries and gas plants which are utilized for sales and transportation of hydrocarbons are subject to operating hazards associated with major accident events, cyber-attack and weather events, which can result in a loss of hydrocarbon containment, diminished production, additional costs, environmental damage and harm to people or reputation. This risk also extends to unexpected sub-surface outcomes.

Otto, through its exploration program, has been working to diversify its production base so it is not solely reliant on one asset (SM 71) should any event such as those mentioned above occur.

Otto has insurance cover for a number of these risks where it is appropriate and commercially justifiable to do so. For example, for SM 71 Otto has insurance cover for property damage, but does not have cover for loss of profits as the cost is prohibitive.

As Otto is non-operator, the operating risks are extended to include the performance of the operator. These risks could include inadequate resourcing or systems, misalignment of interest, inadequate capture or provision of data and information, poor financial position or unfavourable or inadequate agreement with the operator. Consequences of poor performance by an operator could extend to operational incidents, financial loss, loss of opportunity, non-compliance, legal disputes or less than optimal financial returns from the field.

Otto seeks to manage the risks around performance of the operator by entering into ventures with operators who have demonstrated competencies and financial capacity. Through its due diligence Otto seeks to ensure that the operator's reputation is sound and that Otto's interests are in alignment before committing to participation.

Unsuccessful Exploration and Oil and Gas Reserves Depletion Risk

Without additions to reserves through exploration and development drilling success or acquisitions, Otto's oil and gas production, and hence revenues and cash flows, will decrease over time as production from existing fields declines naturally. The rate of decline is dependent on reservoir characteristics.

Exploration for and development of reserves may be unsuccessful or unprofitable due to a number of factors that are inherent in the oil and gas industry and are outside Otto's control. These include the risk that Otto will not discover commercially productive reservoirs or discovers reservoirs that do not produce sufficient revenues to return a profit. Drilling and development operations may be curtailed, delayed or cancelled as a result of other sub-surface, mechanical or environmental factors or events causing significant financial losses.

Otto seeks to mitigate the risk of unsuccessful exploration by having an exploration strategy based around a strict set of criteria including geographical restrictions, probabilities of success, partner and operator capacity and reputation (including drilling contractors) and required rates of return. Otto then seeks to ensure that it has suitably qualified and experienced staff and advisors to generate and evaluate opportunities within the set criteria. Any acquisition of reserves is subject to the same discipline.

Where possible, Otto also seeks to reduce the likelihood or impact of such risks through commercial agreements where possible.

Key Management Risk

As Otto is a non-operator of its key interests, it has a small management team. Therefore the Company relies heavily on the services of its Chief Executive Officer and senior management. Having a suitably qualified and reputable operating team in place with appropriate relationships and experience in the Gulf of Mexico oil and gas business is critical to Otto's success so far and in the future. The loss of the services of members of the Houston operating team, and the Chief Executive Officer in particular, could have a negative impact on the Company's operations and relationships. Particularly in the short term until suitable replacements could be recruited. Otto does not maintain or plan to obtain any insurance against the loss of any key management personnel.

The Board is aware of this risk and is always looking to ensure there is some level of succession planning, while managing ongoing costs.

Commodity price risk

Otto's revenues, profitability and generation of cash flows depend significantly on crude oil and natural gas prices. Oil and natural gas prices are volatile and low prices could have a material adverse impact on profitability and cash flow. There are a number of factors that can cause fluctuations in price that are beyond the control of Otto.

Otto monitors and analyses the oil and gas markets and seeks to reduce price risk where reasonable and practical. The Company has policies and procedures for entering into hedging contracts to mitigate against the fluctuations in oil price and exchange rates.

Significant changes in the state of affairs

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

- In May 2019 production commenced from Otto's second discovered oil and gas field – the Lightning field onshore Texas. The field is now producing at approximately 12 MMscf/day and 360 barrels of oil a day (100%). A second development well is currently being contemplated on the field.
- Since the end of the year Otto has announced exploration discoveries at Mustang (onshore Texas) and Green Canyon 21 (offshore Gulf of Mexico). The Company is confident that these discoveries will lead to

producing fields taking Otto's total number of producing assets to four in 2020. Refer to the subsequent events section of the report for further details.

- During August 2018 Otto completed a capital raising of A$20 million through a placement and accelerated entitlement offer as set out below.

  a) The Placement raised a total of A$10m through the issue of approximately 169.5 million shares at A$0.059 per share.

  b) The Institutional Entitlement Offer raised a total of A$3m through the issue of approximately 51.6 million shares at A$0.059 per share with a take up of 34%. The Institutional Entitlement Offer shortfall was strongly oversubscribed by institutional shareholders. Shares issued under the placement and Institutional Entitlement Offer were allotted and commenced trading on 10 August 2018.

  c) A total of A$7 million was raised from the Retail Entitlement Offer through the issue of 118.5 million shares at A$0.059 per share.

  A$5.5 million (78%) of Entitlements were taken up leaving a Shortfall of A$1.5 million. A further A$6.0 million in subscriptions were received for Additional New Shares which was A$4.5 million in excess of the Shortfall of A$1.5 million, therefore the A$4.5 million was refunded. Accordingly, given the Retail Entitlement Offer was oversubscribed, there was no allocation to underwriters.

  Morgans Corporate Limited acted as lead manager and underwriter to the entitlement offer with Allens acting as legal advisor.

- During April 2019, Otto completed a capital raising of approximately A$31 million as follows:

  a) a Placement raising a total of A$11.0m through the issue of approximately 207.5 million shares at A$0.053 per share;

  b) an accelerated Institutional Entitlement Offer raising a total of A$7.6m through the issue of approximately 143.2 million shares at A$0.053 per share. The Institutional Entitlement Offer shortfall was strongly oversubscribed by institutional shareholders.

  c) the retail component of the Entitlement Offer raised A$12.3 million. The Company received applications for Entitlements totalling A$5.7 million (before costs) representing acceptances of 46%. In addition, the Company has received applications for A$1.2 million of Additional New Shares to give a total of A$6.9 million in applications under the Retail Entitlement Offer. Overall 56% of the new shares issued will go to existing shareholders. The Shortfall of A$5.4 million was allocated pursuant to the Underwriting Agreement with Morgans Financial Limited.

  Morgans Corporate Limited acted as Lead Manager and Underwriter to the Entitlement Offer, Adelaide Equity Partners Limited as Financial Advisor and Allens acting as legal advisor. Euroz Securities Limited were Managers to the offer.

  The funds were raised to be used in conjunction with cash flows from Otto's 50% owned SM 71 oil field and future cash flows from the Lightning development to fund Otto's US$9.0 million share of the GC-21 drilling program, redeem US$8.1 million of the convertibles notes that were on issue and for working capital including contingent development wells.

- Under the terms of the Convertible Notes issued on 2 August 2017, Otto issued a redemption notice to the Noteholders on 26 March 2019 for the full 8.2 million convertible notes. The Noteholders elected to convert 100,000 of the notes with the balance of 8.1 million notes redeemed on 30 April 2019. As a result, the Company had no debt as at 30 June 2019.

Significant events after the balance date

No matters or circumstances have arisen since 30 June 2019 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 apart from those listed below:

- *GC 21 – Bulleit Well*

  On 8 August 2019 Otto announced that the GC 21 "Bulleit" well, operated by Talos Energy, Inc ("Talos") (NYSE: TALO) had been successfully drilled to Total Depth. The well drilled through the deeper exploration target, the MP sands, after intersecting oil pay in the shallower DTR-10 sand package as announced to the ASX on 13 June 2019. The well intersected the following discovered intervals:

  - DTR-10 interval –net 140 feet of TVD oil pay encountered; and
  - MP interval – approximately net 110 feet of TVD oil pay expected to be delivered in high quality reservoir consistent with analogue wells in the GC18 field.

  Following the discovery in the DTR-10 sands, attempt to drill to the deeper objective MP sands were delayed due to poor hole conditions and compromised drilling operations requiring sidetracking. In addition, the passing of Hurricane Barry required the rig to disconnect to ensure safe operations. As a result of these operations, the cost of drilling the GC21 "Bulleit" well exceeded the pre-drill estimates of US$9.0m net to Otto. The effect of these events is expected to increase Otto's financial exposure to the Bulleit well by approximately US$6.5 to US$7.5m net to Otto.

  The GC 21 development plan is being progressed by the Operator to complete the discovery well in the first half of 2020. The Operator will complete the well as a production well and then tie it back to the Talos-owned and operated Green Canyon 18 (GC 18A) facility approximately 10 miles (~16 km) west of the "Bulleit" well. The development will involve the use of a subsea completion that is common for projects of this nature and water depth in the Gulf of Mexico. The joint venture will undertake a review of the operator's plan of development in the coming month with formal commitment to the development expected shortly thereafter.

  Subject to the commitment to development outlined above, Otto will report maiden reserves from the GC21 discovery incorporating the development plans.

  The Company is working on a finance facility to fund the development.

- *Mustang*

  On 23 July 2019 Otto advised that the initial exploration well, Thunder Gulch #1, within the Mustang prospect in Chambers County Texas, has reached final total depth of 18,164 ft MD (18,001 ft TVD).

  Petrophysical evaluation of wireline logging data together with mudlog hydrocarbon shows seen whilst drilling indicated the presence of a total net hydrocarbon filled sand interval of approximately 57 feet TVT (True Vertical Thickness). This petrophysical evaluation was undertaken using historical parameters for production performance in the play trend. The Operator, Hilcorp Energy, then ran production casing and completed the well.

  The operator has sourced equipment required for the testing of the deep, high pressure Mustang discovery. With reservoir pressures at the discovery location of over 15,000 psi, specialised high-pressure equipment is required that is not commonly used. The initial testing will involve the perforation of various discovery intervals in order to understand reservoir deliverability and the design of a completion program to optimise ultimate production.

  Once the testing phase of the discovery is completed, the joint venture would then plan for the installation of surface production equipment and the connection into a nearby sales pipeline to enable production to commence. This is expected to occur during the fourth quarter of 2019, subject to the outcome of the impending test program.

  Through participation in the drilling of the Thunder Gulch #1 exploration well, Otto has earned a 37.5% working interest in the leases covering the entire prospect.

- *SM 71*

  Otto announced on 22 August 2019 that Byron Energy, the operator of SM 71, had advised that it had completed the interpretation of reprocessed seismic data, resulting in the identification of two areas in the D5 Sand reservoir which it believes will not be drained efficiently by the currently producing SM 71F1 and SM 71 F3 wells. To effectively drain these two areas, the Operator has estimated that two additional wells will be needed to fully develop the D5 Sand reservoir at SM 71.

  The first of these proposed wells, the SM 71 F4, would test a D5 Sand reservoir anomaly that is outboard of the main D5 field, (see attached illustration). If successful, this would extend and prove up additional reserves in the D5 reservoir. The second proposed well, the SM 71 F5, will test an area that the Operator believes will be poorly drained, if at all, by the F3.

  The Operator estimates that after the SM71 F4 and SM71 F5 wells are completed, assuming success, the D5 reservoir at SM 71 will be fully developed except for an attic well required in three- or four-years' time.

  Otto has the right to participate in the wells at its working interest of 50%. Otto is currently considering all materials provided by the operator and evaluating the proposed wells using its own recently reprocessed 3D data over the area. Operator has advised that it is in final stages of negotiating a rig contract for this drilling program and it is expected to be available and on location in early October, pending final permit approvals.

  Currently the field is producing approximately 3,100 bopd and 3.3 mmcfgpd, on a gross basis after shrinkage at the sales meter.

- *Board and Executive Changes*

  On 11 September 2019 the Company announced that its Chairperson, Mr John Jetter, had confirmed to the Board, and the Board of Otto had agreed, that he will step down from the role of Chairperson at the coming Annual General Meeting of shareholders on 21 November 2019. Mr Jetter will remain as a non-executive director and serve on the current Board Committees of which he is a member in order to oversee the seamless transition of the role of Chairperson and the successful delivery of Otto's Board renewal which has commenced under his guidance. Mr Jetter will not seek re-election at the Annual General Meeting in 2020.

  Mr Ian Boserio has been nominated by the Board as Chairperson Elect to assume the role vacated at the 2019 Annual General Meeting by Mr Jetter. In the meantime Mr Boserio will assume the role of Deputy Chair.

  In addition, Mr Ian Macliver, has advised the Board that he also will retire upon the appointment of a suitably qualified, independent non-executive director to assume the roles he currently occupies. A process has commenced to identify a candidate for this role and Mr Macliver has advised that he will retire from the Board of Otto Energy at the time his replacement is appointed, or at the latest by 30 June 2020.

  The Board renewal process will be an ongoing focus of the Board to ensure that its composition reflects the nature of the business as it evolves from being primarily focused on exploration activities towards development and production activities.

  On 23 August 2019 the Company advised that had accepted the resignation of its Chief Financial Officer and Company Secretary, Mr. David Rich. Mr. Rich joined Otto in January 2017 and has been a highly valued member of the management team in supporting the successful development of the US Gulf of Mexico business. Mr Rich will continue in his current roles until 1 November 2019. The Board thanked Mr. Rich for his contribution to the business over the last two and a half years.

  The Board has commenced a process to appoint a new Chief Financial Officer in Houston as part of the ongoing commitment it made in April 2018 to supporting the growth of the US Gulf of Mexico business. This will involve the transition of the majority of the financial and accounting support functions from Perth to Houston.

- *Reserves Statement*

  On 19 September 2019 the Company released its statement of reserves and prospective resources as at 30 June 2019. The statement of reserves included SM 71 and the maiden statement of reserves for Lightning. The reserves for SM 71 and Lightning were compiled by independent consultants Collarini and Associates and Ryder Scott Company respectively. The summary statement of reserves and prospective resources at 30 June 2019 is set out below. The individual statements for SM 71 and Lightning are included in the Production and Development section above. Full details including the reconciliations and notes on the statements are included in the ASX release of 19 September 2019.

Total	Gross (100%)			Otto Net		
	Oil (Mbbl)	Gas (MMscf)	MBoe	Oil (Mbbl)	Gas (MMscf)	MBoe
Proved Producing	3,219	12,599	5,318	1,271	3,910	1,923
Proved Behind Pipe	682	3,765	1,310	265	1,118	452
Proved Undeveloped	1,927	11,117	3,779	746	3,292	1,295
Proven (1P)	**5,828**	**27,481**	**10,407**	**2,282**	**8,320**	**3,670**
Probable	6,094	19,823	9,398	2,417	6,101	3,434
Proven Plus Probable (2P)	**11,922**	**47,304**	**19,806**	**4,699**	**14,421**	**7,103**
Possible	3,664	34,468	9,409	1,371	10,072	3,049
Proven Plus Probable Plus Possible (3P)	**15,586**	**81,772**	**29,214**	**6,070**	**24,492**	**10,152**
Total Prospective Resource (best estimate, unrisked)				67,309	89,875	82,289

- *Hedging*

  On 20 September 2019 Otto acquired $55.00 per barrel put options over 34,500 barrels of oil from October 2019 to January 2020 at a premium of $1.83 per barrel in accordance with its commodity price risk management policy.

Likely developments and expected results

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

- Finalisation of the development plan for the DTR-10 and MP sands on the Green Canyon 21 lease offshore Gulf of Mexico, USA;
- Testing of the Mustang discovery in Matagorda County, Texas. The results of which will determine the development plan for the field to take it to production;
- Participate in the drilling of another three to four wells on the Gulf Coast with Hilcorp;
- Participate in the drilling of further wells on the SM 71 lease; and
- Completion of a finance facility to fund future developments including GC 21.

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 onshore and offshore 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*	16	15	1	-	2	2
Mr M Allen	16	16	-	-	-	-
Mr I Macliver	16	16	2	2	2	2
Mr I Boserio	16	16	2	2	-	-
Mr P Senycia	16	16	-	-	-	-
Mr K Small	7	7	-	-	-	-

*Mr Jetter was appointed to the Audit and Risk Management Committee on 17 December 2018.

Indemnification and insurance of Directors and officers

During the financial year, the Company paid a premium of $151,111 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:

	2019 US$	2018 US$
Tax compliance services	13,058	3,751
Tax consulting and tax advice	1,410	1,056
	14,468	4,807

Auditor's independence declaration

The auditor's independence declaration is included on page 64 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 during 2019. This structure includes the share rights and option plans approved by the shareholders 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 2019 were generally the same as for 2018.

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
Mr Paul Senycia	Non-Executive Director
Mr Kevin Small	Executive Director and Senior Exploration Consultant, commenced as a Consultant on 4 April 2018 and became a director on 29 January 2019
Executives	
Mr Will Armstrong	Vice President – Exploration and New Ventures (US) commenced 4 April 2018
Mr Philip Trajanovich	Senior Commercial Manager (US) commenced 4 April 2018
Mr David Rich	Chief Financial Officer and Company Secretary, commenced 28 February 2017 and 31 January 2017 respectively

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 not retained for the 2018 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 reviewed in June 2018. Prior to this there had been no increase in non-executive director fees since 2012. 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.

Non-executive Directors received a grant of performance rights on 15 November 2018 following approval by shareholders at the Company's Annual General Meeting. The grant was based on 50% of FAR. The Board believes that the issue constituted reasonable remuneration having considered the peer group comparisons, the recent history of the Company, the experience of each of the Directors and the responsibilities involved in that office.

Directors' fees

The following fees have applied:

	From 1 July 2018	From 1 July 2017 to 30 June 2018
Base fees		
Chair	A$150,000	A$ 125,000
Non-executive Directors	A$90,000	A$ 75,000
Additional fees		
Audit and Risk Management Committee Chair	A$10,000	A$ 10,000

Retirement allowances for non-executive Directors

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

Appointment

The term of appointment is determined in accordance with the Company's Constitution and is subject to the provisions of the Constitution dealing with retirement, re-election and removal of Directors of the Company. The Constitution provides that all Directors of the Company, other than the Managing Director, are subject to re-election by shareholders by rotation at least 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 2019 is summarised below.

The remuneration structure in place for the year ended 30 June 2019 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 has engaged independent advisors to review the remuneration levels paid to the Group's key management personnel. An advisor was not retained for the 2018 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 2019 financial year were based on the scorecard measures and weightings as disclosed below. Objectives and measures aligned to the Company's strategic and business objectives were set and monitored by the Board. These included the following general categories:

- Health, safety & environment
- Total shareholder return
- Asset specific
- New business development
- Leadership

The Board and Remuneration and Nomination Committee are responsible for assessing whether the predefined targets are met. The Committee review in February 2019 concluded that no STI payments would be awarded.

Separately, in October 2018 the Board awarded the Chief Financial Officer a A$50,000 bonus in recognition of his exceptional performance and contribution during the period July to October 2018.

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, and administration of, 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 the 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, vesting of the rights for directors, the CEO and other members of the executive team were based on TSR performance only. Other employees' rights (40,000 rights in total) were based 50% on time and 50% on TSR. The TSR performance required for all rights on issue as at 30 June 2018 is 10% per annum (based on 30 day VWAP) and for the rights granted during the current year ended 30 June 2019 is 15%, compounding from the date of grant to the measurement date (based on 90 day VWAP). If the TSR vesting condition is not met on a measurement date, no rights vest and those performance rights continue to exist as unvested performance rights to be retested at the next measurement date or expiry date if there are no further measurement dates.

On the measurement date of 29 November 2018, 4,729,000 performance rights held by key management personnel vested based on TSR. The TSR from the grant date of 29 November 2017 to the measurement date was 19.8%, in excess of the required 10% TSR.

On the measurement date of 1 February 2019, a total of 4,600,000 rights granted to key management personnel (4,630,000 rights in total) on 23 April 2015 did not vest as the TSR hurdle was not met and hence the rights continue to exist to be tested at the expiry date of 31 December 2019. On 1 February 2019 10,000 time based rights vested and shares were issued to non-KMP staff.

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

For the award of performance rights to key management personnel on 15 November 2018, a flat rate of 50% of FAR was used to calculate the number of rights awarded.
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.

During the year, the Board exercised its discretion regarding the cap and issued a total of 32,668,000 performance rights on 21 December 2018, which amounted to 2.1% of the issued capital at 30 June 2018. The Board discretion was exercised considering the following important factors:

i) the issue amounted to 1.7% of the shares on issue prior to the granting of the rights as there had been a share issue since 30 June 2018; and

ii) the rights issued included the one-off issue of sign on performance rights to three new, highly qualified and experienced US staff members recruited to form the US-based technical team as set out in Otto's ASX release of 16 July 2018. The sign on performance rights formed an important part of their remuneration packages and provide incentives linked to increases in shareholder value. Such sign on benefits are customary in the US.

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. 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 2018 Annual General Meeting

At its 2018 Annual General Meeting, the Company received more than 93% of "yes" votes on its remuneration report for the 2018 financial year and the Company did not receive any specific feedback at the Annual General Meeting on its remuneration practices.

In the lead up to the 2018 Annual General Meeting and in discussions since with shareholders and proxy advisors, concern has been expressed regarding equity grants to non-executive Directors. After considering this feedback the Board has determined that it will not be seeking to make equity grants to non-executive Directors at the 2019 Annual General Meeting.

Following concerns raised by investors and proxy advisors regarding the Board composition, including matters of tenure, independence and alignment with the US strategy, the Company announced on 11 September 2019 that it had commenced a renewal process with several changes already taking place. Refer to the subsequent events section of this report for further details.

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 2015	30 June 2016	30 June 2017	30 June 2018	30 June 2019
Net profit/(loss) after tax (US$'000)	16,404	(20,086)	(5,247)	(5,194)	(18,409)
Share price at year end (AUD)	0.069	0.044	0.025	0.064	0.054
Basic earnings/(loss) (US cents per share)	1.42	(1.70)	(0.44)	(0.37)	(0.95)
Return of capital (AU cents per share)	5.64	-	-	-	-
Total dividends (AU cents per share)	0.76	-	-	-	-

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. For the US staff other than the Managing Director, terms have been agreed and service agreements are currently being formalised. Each of these agreements provides for performance related conditions and details relating to remuneration are set out below.

	Year	Fixed remuneration					Variable remuneration		Total
		Salary and fees $US	Annual & long service leave $US	Super-annuation $US	Other benefits [iii] $US	Termination benefits $US	Cash bonus $US	Performance rights [i] $US	$US
Directors									
Mr J Jetter	2019	106,601	-	-	-	-	-	14,019	120,620
	2018	95,727	-	-	-	-	-	6,249	101,976
Mr M Allen[ii]	2019	360,235	29,373	17,870	229,355	-	-	58,166	694,999
	2018	348,308	6,401	19,460	917	-	-	51,118	426,204
Mr I Macliver	2019	65,224	-	6,196	-	-	-	9,439	80,859
	2018	60,102	-	5,710		-	-	4,253	70,065
Mr I Boserio	2019	58,696	-	5,576	-	-	-	8,409	72,681
	2018	53,031	-	5,038		-	-	3,751	61,820
Mr P Senycia[iv]	2019	157,728	(9,806)	14,126	847	61,676	-	31,448	256,019
	2018	275,502	20,136	19,487	1,257	-	-	46,418	362,800
Mr K Small[v]	2019	289,933	3,211	5,060	22,202	-	-	13,104	333,510
	2018	-	-	-	-	-	-	-	-
Total Director remuneration	2019	1,038,417	22,778	48,828	252,404	61,676	-	134,585	1,558,688
	2018	832,670	26,537	49,695	2,174	-	-	111,789	1,022,865
Executives									
Mr D Rich	2019	235,504	23,994	14,676	6,239	-	35,544	22,750	338,707
	2018	235,644	9,364	19,281	778		23,594	15,003	303,664
Mr W Armstrong[vi]	2019	345,795	7,074	9,769	44,726	-	-	19,906	427,270
	2018	-	-	-	-	-	-	-	-
Mr P Trajanovich[vii]	2019	327,833	4,168	9,754	53,262	-	-	23,446	418,463
	2018	-	-	-	-	-	-	-	-
Total executive remuneration	2019	909,132	35,236	34,199	104,227	-	35,544	66,102	1,184,440
	2018	235,644	9,364	19,281	778	-	23,594	15,003	303,664
Total	2019	1,947,549	58,014	83,027	356,631	61,676	35,544	200,687	2,743,128
	2018	1,068,314	35,901	68,976	2,952	-	23,594	126,792	1,326,529

(i) Performance rights have been valued using a single share price model. Further details of the Performance Rights Plan is contained in this Remuneration Report on pages 58 to 62 and Note 21.
(ii) Mr M Allen (Managing Director and CEO) was seconded to the Houston office in August 2018.
(iii) Reflects the value of allowances and non-monetary benefits (including relocation, travel, health insurance, car parking and any associated fringe benefits tax). Non-monetary benefits for M Allen include one off relocation costs of $30,196. In addition to the non-monetary benefits disclosed above for M Allen, the Company also incurred $55,255 of expatriate benefits relating to future financial years. These will be expensed to the profit and loss in the relevant financial year.
(iv) Mr P Senycia ceased employment with Otto on 31 December 2018 and continued on the Board as a Non-executive Director from 1 January 2019.
(v) Mr K Small was appointed a Director in January 2019. Mr Small consults to the Company as a Senior Exploration Consultant in Houston.
(vi) Mr W Armstrong was appointed VP, Exploration and New Ventures in July 2019 based in Houston
(vii) Mr P Trajanovich was appointed Senior Commercial Manager in July 2019 based in Houston.

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]	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Directors						
Mr J Jetter	88%	94%	-	-	12%	6%
Mr P Senycia[iii]	88%	87%	-	-	12%	13%
Mr M Allen	92%	88%	-	-	8%	12%
Mr I Macliver	88%	94%	-	-	12%	6%
Mr I Boserio	88%	94%	-	-	12%	6%
Mr K Small	96%	-	-	-	4%	-
Executives						
Mr D Rich	83%	87%	10%	8%	7%	5%
Mr W Armstrong[ii]	95%	-	-	-	5%	-
Mr P Trajanovich[iv]	94%	-	-	-	6%	-

(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 W Armstrong was appointed VP, Exploration and New Ventures in July 2019
(iii) Mr P Senycia ceased employment with Otto on 31 December 2018 and continued on the Board as a Non-executive Director from 1 January 2019.
(iv) Mr P Trajanovich was appointed Senior Commercial Manager in July 2019

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 (including executive Directors) 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. For the US staff other than the Managing Director, terms have been agreed and service agreements are currently being formalised. 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/other retirement benefits[i] $US per annum	Termination benefit[ii]
Mr Matthew Allen *Managing Director and Chief Executive Officer*	24 June 2015	$377,867	6 months base salary
Mr Kevin Small *Senior Exploration Consultant (iii)*	1 January 2019	$307,200	1 week notice
Mr Paul Senycia *Executive Director & Vice President Exploration and New Ventures (iv)*	1 January 2016	$272,291	3 months base salary
Mr David Rich *Chief Financial Officer and Company Secretary*	9 January 2017	$250,136	3 months base salary
Mr W Armstrong *VP, Exploration and New Ventures*	1 August 2018	$358,636	3 months base salary
Mr P Trajanovich *Senior Commercial Manager*	1 August 2018	$338,143	3 months base salary

(i) Base salaries quoted are as at 30 June 2019; 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 Small consults to the Company as a Senior Exploration Consultant under a 12 month consulting agreement. The base salary quoted assumes 4 days per week for 48 weeks per annum. Mr Small was appointed a Director in January 2019.
(iv) Mr Senycia ceased employment with Otto on 31 December 2018 and continues on the Board as a Non-executive Director from 1 January 2019.

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 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 21. 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 of grant, 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 Hoadley hybrid single share price 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 2018 are set out in the following table. As set out below, 25,489,000 performance rights were granted to key management personnel in the year to 30 June 2019 (11,913,000 in 2018) (32,668,000 performance rights in total were granted across the Company).

The number of performance rights that will vest depends on the vesting period and/or Otto Energy Limited's Total Shareholder Return ("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. All the rights issued to KMP within the 30 June 2019 financial year require a compound TSR of 15% per annum from the grant date to the measurement date in order to vest. (All rights issued prior to 1 July 2018 require a compound TSR of 10% per annum from the grant date to the measurement date in order to vest).

Year ended 30 June 2019 – TSR based performance rights

Measurement date	15 Nov 2019	15 Nov 2020	15 Nov 2021	15 Nov 2019	15 Nov 2020	15 Nov 2021	29 Nov 2019	29 Nov 2020	1 Feb 2017(i)	1 Feb 2018(i)	1 Feb 2019(i)
Grant date	21 Dec 2018	21 Dec 2018	21 Dec 2018	15 Nov 2018	15 Nov 2018	15 Nov 2018	29 Nov 2017	29 Nov 2017	23 Apr 2015	23 Apr 2015	23 Apr 2015
Expiry date	15 Nov 2023	15 Nov 2023	15 Nov 2023	15 Nov 2023	15 Nov 2023	15 Nov 2023	29 Nov 2022	29 Nov 2022	31 Dec 2019	31 Dec 2019	31 Dec 2019
KMP rights on issue at year end:	.										
Mr M Allen	-	-	-	1,330,000	1,330,000	1,330,000	1,309,000	1,309,000	766,667	766,667	766,666
Mr J Jetter	-	-	-	372,000	372,000	372,000	344,333	344,334	-	-	-
Mr I Macliver	-	-	-	248,000	248,000	248,000	234,333	234,334	-	-	-
Mr I Boserio	-	-	-	223,000	223,000	223,000	206,667	206,666	-	-	-
Mr P Senycia	-	-	-	223,000	223,000	223,000	1,050,000	1,050,000	766,667	766,667	766,666
Mr K Small	2,420,000	1,613,334	806,666	-	-	-	-	-	-	-	-
Mr D Rich	881,000	881,000	881,000	-	-	-	826,667	826,666	-	-	-
Mr W Armstrong	3,676,000	2,450,667	1,225,333	-	-	-	-	-	-	-	-
Mr P Trajanovich	1,155,334	1,155,334	1,155,334	-	-	-	758,000	758,000	-	-	-
KMP total rights on issue at year end	8,132,334	6,100,334	4,068,334	2,396,000	2,396,000	2,396,000	4,729,000	4,729,000	1,533,334	1,533,334	1,533,332
Share price at grant date – A$	0.04	0.04	0.04	0.05	0.05	0.05	0.04	0.04	0.11	0.11	0.11
Expected volatility	70%	70%	70%	70%	70%	70%	20%	20%	47.7%	51.2%	51.2%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Risk free rate	1.97%	1.97%	1.90%	2.08%	2.08%	2.16%	2.09%	2.09%	1.95%	1.90%	1.90%
Fair value – A$	0.008	0.012	0.014	0.022	0.025	0.027	0.020	0.015	0.060	0.070	0.070
Total value – A$	89,575	103,116	80,209	51,686	60,133	65,058	94,580	70,935	92,000	107,333	107,333

(i) The measurement date was rolled forward to 31 December 2019 for the rights expiring on 31 December 2019

Year ended 30 June 2018 – TSR based performance rights

Measurement date	29 Nov 2018	29 Nov 2019	29 Nov 2020	1 Feb 2017 (i)	1 Feb 2018	1 Feb 2019
Grant date	29 Nov 2017	29 Nov 2017	29 Nov 2017	23 Apr 2015	23 Apr 2015	23 Apr 2015
Expiry date	29 Nov2022	29 Nov 2022	29 Nov 2022	31 Dec 2019	31 Dec2019	31 Dec2019
KMP rights on issue at year end:						
Mr M Allen	1,309,000	1,309,000	1,309,000	766,667	766,667	766,666
Mr J Jetter	344,333	344,333	344,334	-	-	-
Mr I Macliver	234,333	234,333	234,334	-	-	-
Mr I Boserio	206,667	206,667	206,666	-	-	-
Mr D Rich	826,667	826,667	826,666	-	-	-
Mr P Senycia	1,050,000	1,050,000	1,050,000	766,667	766,667	766,666
KMP total rights on issue at year end	3,971,000	3,971,000	3,971,000	1,533,334	1,533,334	1,533,332
Share price at grant date – A$	0.04	0.04	0.04	0.11	0.11	0.11
Expected volatility	20%	20%	20%	47.7%	51.2%	51.2%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil	Nil
Risk free rate	2.09%	2.09%	2.09%	1.95%	1.90%	1.90%
Fair value – A$	0.026	0.020	0.015	0.060	0.070	0.070
Total value – A$	103,246	79,420	59,565	92,000	107,333	107,333

The expected price volatility is based upon the historic volatility (based on the remaining life of the rights), adjusted for any expected changes to future volatility due to 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 2019 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	1,033,000	1,116,000	(344,333)	-	1,804,667
Mr M Allen	6,227,000	3,990,000	(1,309,000)	-	8,908,000
Mr P Senycia	5,450,000	669,000	(1,050,000)	-	5,069,000
Mr I Macliver	703,000	744,000	(234,333)	-	1,212,667
Mr I Boserio	620,000	669,000	(206,667)	-	1,082,333
Mr K Small	-	4,840,000	-	-	4,840,000
	14,033,000	12,028,000	(3,144,333)	-	22,916,667

Executives	Balance at start of year	Granted as compensation	Vested and exercised	Lapsed/ expired	Balance at end of year
Mr D Rich	2,480,000	2,643,000	(826,667)	-	4,296,333
Mr P Trajanovich	2,274,000	3,466,000	(758,000)	-	4,982,000
Mr W Armstrong	-	7,352,000	-	-	7,352,000
	4,754,000	13,461,000	(1,584,667)	-	16,630,333

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	Convertible note redemption	Sold during the year	Balance at end of year
Directors						
Mr J Jetter	19,446,318	6,550,972	344,333	2,599,211	-	28,940,834
Mr M Allen	6,900,000	2,561,801	1,309,000	-	-	10,770,801
Mr P Senycia	3,300,158	361,310	1,050,000	-	-	4,711,468
Mr I Macliver	5,406,864	1,849,155	234,333	-	-	7,490,352
Mr I Boserio	2,073,571	1,332,525	206,667	-	-	3,612,763
Mr K Small	-	12,371,515	-	-	-	12,371,515
	37,126,911	25,027,278	3,144,333	2,599,211	-	67,897,733
Executives						
Mr D Rich	795,252	463,947	826,667	-	(513,671)	1,572,195
Mr W Armstrong	-	750,000	-	-	-	750,000
Mr P Trajanovich	-	-	758,000	-	-	758,000
	795,252	1,213,947	1,584,667	-	(513,671)	3,080,195
	37,922,163	26,241,225	4,729,000	2,599,211	(513,671)	70,977,928

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 (2018: nil).

Diversity

Proportion of women employees at 30 June 2019:

	Number	Proportion
Whole organisation*	3/14	21%
Senior executive positions	0/3	0%
Board	0/5	0%

*Includes four non-executive Directors

Performance rights on issue at 30 June 2019

Date granted	Date of expiry	Number
23 April 2015	31 December 2019	4,630,000
29 November 2017	29 November 2022	9,458,000
15 November 2018	15 November 2023	7,188,000
21 December 2018	15 November 2023	25,480,000
		46,756,000

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 2019.

No options 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 56 to 58.

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

I Macliver

Mr I Macliver
Director

25 September 2019

AUDITOR'S INDEPENDENCE DECLARATION

For the year ended 30 June 2019

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 2019, I declare that, to the best of my knowledge and belief, there have been:

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

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

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 25 September 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Note	2019 US$'000	2018 US$'000
Operating Revenue (Net)	2	31,258	9,551
Cost of sales	3	(7,833)	(1,622)
Gross profit		**23,425**	**7,929**
Other income	2	168	213
Profit/(loss) on disposal of property, plant and equipment		(2)	2
Exploration expenditure	4	(37,849)	(4,827)
Finance income/(costs)	5	965	(4,436)
Administration and other expenses	5	(5,114)	(4,072)
Loss before income tax		**(18,407)**	**(5,191)**
Income tax expense	7	(2)	(3)
Loss after income tax for the year		**(18,409)**	**(5,194)**
Other comprehensive income that may be recycled to profit or loss			
Total other comprehensive income		-	-
Total comprehensive loss for the year		**(18,409)**	**(5,194)**
Earnings per share			
Basic loss per share (US cents)	6	(0.95)	(0.37)
Diluted loss per share (US cents)	6	(0.95)	(0.37)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2019

	Note	2019 US$'000	2018 US$'000
Current assets			
Cash and cash equivalents	8	7,383	5,945
Trade and other receivables	10	3,311	4,028
Other assets	11	1,238	287
Total current assets		**11,932**	**10,260**
Non-current assets			
Oil and gas properties	12	30,982	27,151
Property, plant and equipment		106	82
Other assets	11	393	355
Total non-current assets		**31,481**	**27,588**
Total assets		**43,413**	**37,848**
Current liabilities			
Trade and other payables	13	4,473	4,763
Provisions	15	173	202
Convertible note	14	-	7,542
Convertible note derivative	14	-	3,183
Total current liabilities		**4,646**	**15,690**
Non-current liabilities			
Provisions	15	1,589	1,128
Total non-current liabilities		**1,589**	**1,128**
Total liabilities		**6,235**	**16,818**
Net assets		**37,178**	**21,030**
Equity			
Contributed equity	16	125,041	90,704
Reserves	17	14,067	13,847
Accumulated losses		(101,930)	(83,521)
Total equity		**37,178**	**21,030**

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 2019

	Contributed equity US$'000	Share-based payments reserve US$'000	Foreign currency translation reserve US$'000	Accumulated losses US$'000	Total US$'000
Balance at 1 July 2017	81,895	9,549	4,188	(78,327)	17,305
Loss for the period	-	-	-	(5,194)	(5,194)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(5,194)	(5,194)
Transactions with owners in their capacity as owners:					
Issue of shares (net of costs)	8,809	-	-	-	8,809
Equity benefits issued to employees	-	110	-	-	110
Balance at 30 June 2018	90,704	9,659	4,188	(83,521)	21,030
Balance at 1 July 2018	90,704	9,659	4,188	(83,521)	21,030
Loss for the period	-	-	-	(18,409)	(18,409)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(18,409)	(18,409)
Transactions with owners in their capacity as owners:					
Issue of shares (net of costs)	34,337	-	-	-	34,337
Equity benefits issued to employees	-	220	-	-	220
Balance at 30 June 2019	125,041	9,879	4,188	(101,930)	37,178

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 2019

	Note	2019 US$'000	2018 US$'000
Cash flows from operating activities			
Oil and Gas Sales (net)		32,042	6,300
Other income		11	54
Payments to suppliers and employees		(8,504)	(4,688)
Payments for exploration and evaluation		(36,867)	(3,949)
Interest received		157	159
Income tax paid		-	(2)
Net cash outflow from operating activities	9	**(13,161)**	**(2,126)**
Cash flows from investing activities			
Payments for property, plant and equipment		(87)	(91)
Proceeds from sale of property, plant and equipment		-	2
Payments for development and evaluation		(8,904)	(20,587)
Bond for development asset		(38)	(150)
Net cash outflow from investing activities		**(9,029)**	**(20,826)**
Cash flows from financing activities			
Proceeds from issue (repayment) of convertible notes		(8,100)	8,200
Transaction costs relating to convertible notes issue		-	(311)
Interest paid on convertible notes		(2,327)	-
Proceeds from issue of shares		36,613	9,166
Transaction costs - shares		(2,375)	(356)
Net cash inflow from financing activities		**23,811**	**16,699**
Net decrease in cash and cash equivalents		1,621	(6,253)
Cash and cash equivalents at the beginning of the financial year		5,945	20,309
Effects of exchange rate changes on cash		(183)	(1)
Cash and cash equivalents at the end of the financial year	8	**7,383**	**5,945**

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

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 24 September 2019.

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 2018. Refer to note 28 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 19.

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 or 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.

Going concern

Otto's financial statements have been prepared on a going concern basis.

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 7 Income tax
- Note 12 Oil and gas properties
- Note 14 Convertible note
- Note 15 Provisions
- Note 21 Share-based payments

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

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: 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. The Group had 3 reportable segments during 2019.

The segment information for the reportable segments for the year ended 30 June 2019 is as follows:

2019	**Gulf of Mexico (USA)**	**Alaska (USA)**	**Other**	**Consolidated**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Operating Revenue	31,258	-	-	31,258
Cost of Production	(7,833)	-	-	(7,833)
Gross Profit	**23,425**	**-**	**-**	**23,425**
Other income	17	-	151	168
Profit/(loss) on disposal of property, plant and equipment	-	-	(2)	(2)
Exploration expenditure	(33,708)	(4,231)	90	(37,849)
Finance costs	(119)	-	1,084	965
Administration and other expenses	(4,154)	(56)	(904)	(5,114)
Profit (Loss) before income tax	**(14,539)**	**(4,287)**	**419**	**(18,407)**
Income tax expense	-	-	(2)	(2)
Profit (Loss) after income tax for the year	**(14,539)**	**(4,287)**	**417**	**(18,409)**
Total non-current assets	31,478	-	3	31,481
Total assets	38,769	-	4,644	43,413
Total liabilities	5,555	24	656	6,235

Gross oil revenue ($34.684m) from Gulf of Mexico SM71, net oil revenue ($0.094m) and net gas revenue ($0.111m) from Lightning were all sold to different single customers. Gross gas revenue ($3.433m) from Gulf of Mexico SM71 production was sold to two different customers.

1. Segment information (continued)

The segment information for the reportable segments for the year ended 30 June 2018 is as follows:

2018	Gulf of Mexico (USA)	Alaska (USA)	Other	Consolidated
	US$'000	US$'000	US$'000	US$'000
Operating Revenue	9,551	-	-	9,551
Cost of Production	(1,622)	-	-	(1,622)
Gross Profit	**7,929**	**-**	**-**	**7,929**
Other income	11	-	202	213
Profit on disposal of property, plant and equipment	-	-	2	2
Exploration expenditure	(4,683)	(222)	78	(4,827)
Finance costs	(24)	-	(4,412)	(4,436)
Administration and other expenses	(1,311)	(27)	(2,734)	(4,072)
Profit (Loss) before income tax	**1,922**	**(249)**	**(6,864)**	**(5,191)**
Income tax expense	-	-	(3)	(3)
Profit (Loss) after income tax for the year	**1,922**	**(249)**	**(6,867)**	**(5,194)**
Total non-current assets	27,581	-	7	27,588
Total assets	35,865	-	1,983	37,848
Total liabilities	4,153	7	12,658	16,818

2. Revenue and other income

	2019 US$'000	2018 US$'000
SM71 Sales		
Oil Sales	34,684	11,312
Gas Sales	3,433	432
Total Sales	38,117	11,744
Less: Royalties[i]	(7,064)	(2,193)
SM71 Operating Revenue (Net)	31,053	9,551
Lightning Sales[ii]		
Oil Sales	94	-
Gas Sales	89	-
Natural Gas Liquids Sales	22	-
Lightning Operating Revenue (Net)	205	-
Total Operating Revenue (Net)	31,258	9,551
Interest income[iii]	157	159
Other income	11	54
	168	213

(i) SM71 Operating Revenue is shown net of royalty payments payable to the (USA) Office of Natural Resources Revenue. Royalty payments are 18.75% of revenue under the terms of the SM 71 lease.

(ii) Proceeds from the sale of oil and gas from the Lightning field are received net of royalty payments.
(iii) Interest income is recognised using the effective interest rate method.

Recognition and measurement
Revenue is recognised when or as the Group transfers control of goods or services to a customer at the amount to which the Group expects to be entitled. If the consideration promised includes a variable component, the Group estimates the expected consideration for the estimated impact of the variable component at the point of recognition and re-estimated at every reporting period.

Sale of oil & gas
Revenue from the sale of oil & gas is recognised and measured in the accounting period in which the goods and/or services are provided based on the amount of the transaction price allocated to the performance obligations.

The performance obligation is the supply of oil & gas over the contractual term; the units of supply represent a series of distinct goods that are substantially the same with the same pattern of transfer to the customer. The performance obligation is considered to be satisfied as the customer receives the supply through the pipeline, based on the units delivered. Hence revenue is recognised over time.

3. Cost of Sales

	2019 US$'000	2018 US$'000
Gathering and Production charges	2,874	745
Amortisation of capitalised developments – Note 12	4,959	877
Total Cost of Sales	7,833	1,622

4. Exploration expenditure

	2019 US$'000	2018 US$'000
Exploration expenditure – Gulf of Mexico/Gulf Coast	33,708	4,683
Exploration expenditure – Alaska North Slope	4,231	222
Exploration expenditure – Other	(90)	(78)
	37,849	4,827

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 are expensed. Once an exploration discovery has been determined, evaluation and development expenditure from that point on is capitalised to the Consolidated Statement of Financial Position as oil and gas properties.

Exploration expenditure in relation to the Gulf of Mexico/Gulf Coast includes the initial $4M payment to Hilcorp on signing of the Joint Exploration and Development Agreement for initial land and other costs, the exploration drilling of the Bivouac Peak ($4.9M), Big Tex ($5.2M), Don Julio 2 ($2.7M), Lightning ($5.1M) and Mustang ($5.5M) prospects as well costs incurred to 30 June 2019 in the drilling to the MP sands exploration target in the GC 21 Bulleit well ($5.7M).

Exploration expenditure on the Alaska North Slope includes the drilling of the WInx-1 exploration well.

5. Other expenses

	2019 US$'000	2018 US$'000
i) Finance costs		
Interest on convertible note – refer Note 14	1,214	1,225
Accretion of effective interest on convertible note – refer Note 14	400	347
Fair value adjustment on embedded derivative element of convertible note – refer Note 14	(3,183)	2,436
Amortisation of borrowing costs	262	241
Success Fee – refer Note 14	24	163
Convertible note extension fee	200	-
Accretion of decommissioning fund	51	24
(Gain)/Loss on derivatives	67	-
Total finance costs/ (income)	(965)	4,436
ii) Administration and other expenses		
Employee benefits expense		
Defined contribution superannuation expense	80	108
Share-based payment expense	220	110
Other employee benefits expenses	3,214	1,780
	3,514	1,998
Depreciation expense		
Depreciation expense – furniture and equipment	48	26
	48	26
Other expenses		
Corporate and other costs (net of recharges)	675	1,508
Business development	694	539
Foreign currency losses	183	1
	1,552	2,048
Total administration and other expenses	5,114	4,072

iii) Depreciation

Depreciation and amortisation charges are included above in Note 3 Cost of sales and Note 5(ii) other expenses. Total depreciation and amortisation for the Consolidated Entity is $5.0 million (2018: $0.9 million)

6. Earnings per share

Basic earnings per share is calculated by dividing the profit or loss 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.

6. Earnings per share (continued)

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

	2019	2018
Loss attributable to owners of the Company (US$'000)	(18,409)	(5,194)
Weighted average number of ordinary shares on issue for basic and diluted loss per share (number)	1,946,641,840	1,403,062,899
Basic and diluted loss per share (US cents)	(0.95)	(0.37)

Due to the Company reporting a loss for the 2019 and 2018 financial years, the impact of potential shares are not included in calculating diluted EPS because they are anti-dilutive.

7. Income tax

	2019 US$'000	2018 US$'000
The components of tax expense comprise:		
Current tax	2	3
Deferred tax – origination and reversal of temporary differences	-	-
Prior period under provision	-	-
	2	3
Reconciliation of income tax expense to prima facie tax payable:		
Loss before income tax	(18,407)	(5,191)
Prima facie income tax at 30%	(5,523)	(1,427)
Difference in overseas tax rates	3,524	(3)
Non-assessable income	-	-
Tax effect of amounts not deductible in calculating taxable income	(5,285)	479
Benefit of deferred tax assets not brought to account	7,286	954
Prior period under/(over) provision	-	-
Income tax expense	2	3

Deferred tax assets

	2019 US$'000	2018 US$'000
Temporary differences		
– provisions and other corporate costs	566	131
– exploration and evaluation costs	-	-
	566	131
Tax losses - revenue	7,030	6,259
Tax losses - foreign	12,673	6,809
	19,703	13,199
Offset against deferred tax liabilities recognised	(8,324)	(6,838)
Deferred tax assets not brought to account	(11,379)	(6,361)
Deferred tax assets brought to account	-	-

7. Income tax (continued)

	2019 US$'000	2018 US$'000
Deferred tax liabilities		
Temporary differences – Oil and gas properties	8,324	6,838
Offset by deferred tax assets recognised	(8,324)	(6,838)
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.

Included in the foreign tax losses of US$12.7 million is tax losses of US$10.1 million that can be offset against future tax payable on US profits from US Gulf of Mexico operations.

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

7. Income tax (continued)

jurisdiction and the same subsidiary against which the unused tax losses can be utilised. However, utilisation of the tax losses depends on the ability of the entity to satisfy certain tests at the time the losses are recouped.

8. Cash and cash equivalents

	2019 US$'000	2018 US$'000
Cash at bank and on hand	7,383	5,945
	7,383	5,945

Recognition and measurement
Cash and cash equivalents include 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.

9. Reconciliation of loss after income tax to net cash outflow from operating activities

	2019 US$'000	2018 US$'000
Loss after income tax	(18,409)	(5,194)
Non-cash items:		
Depreciation expense – furniture and equipment	48	26
Share-based payments	220	110
Finance costs/(income) – see note 5(i)	(1,284)	4,436
Amortisation of deferred costs	4,959	877
Other non-cash items	305	(1)
Change in assets and liabilities:		
(Increase)/Decrease in trade and other receivables	784	(3,165)
(Increase) Decrease in other assets	(1,073)	109
Increase in trade and other payables	1,307	630
Increase/(Decrease) in provisions	(18)	46
Net cash outflow from operating activities	(13,161)	(2,126)

Changes in financing liabilities arising from cash flow and non-cash flow items

	2019	2018
Convertible note		
Balance at the start of the year	7,542	-
Proceeds/repayment on convertible notes	(8,100)	8,200
Convertible note transaction costs	258	(311)
Share redemption	(100)	-
Non-cash item - interest accretion	400	(347)
Balance at the end of the year	-	7,542

Refer to note 14 for further details on the convertible note.

OPERATING ASSETS AND LIABILITIES

10. Trade and other receivables

	2019 US$'000	2018 US$'000
Trade receivables[i]	3,213	3,997
Other receivables	98	831
Allowance for doubtful debts [ii]	-	(800)
	3,311	4,028

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

Impairment
The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward looking information to calculate the expected credit losses using a provision matrix.

The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

(i) Trade receivable relates to June 2019 Lightning (net of royalties) and SM 71 oil and gas sales (before deduction of SM 71 royalties).
(ii) Included in other receivables and allowance for doubtful debts in 2018 was $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 was recovered during the 2019 year.

11. Other assets

	2019 US$'000	2018 US$'000
Current		
Prepayments	925	239
Other assets	313	48
	1,238	287
Non-current		
Bonds[i]	393	355
	393	355

(i) Development bond for SM 71 ($325,000), VR232 collateral security deposit ($50k) and Houston apartment rental bond ($18k).

11. Other assets (continued)

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.

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.

12. Oil and gas properties

	2019 US$'000	2018 US$'000
Producing and development assets		
At cost		
SM71 balance at beginning of year	27,151	6,272
SM71 expenditure for the year	1,440	21,756
SM71 amortisation of assets	(4,959)	(877)
SM71 balance at end of year	23,632	27,151
Lightning balance at beginning of year	-	-
Lightning expenditure for the year	1,934	-
Lightning balance at end of year	1,934	-
GC-21 balance at beginning of year	-	-
GC-21 expenditure for the year	5,416	-
GC-21 balance at end of year	5,416	-
Total oil and gas properties including decommissioning assets	30,982	27,151

Recognition and measurement

i) Producing and development assets

Producing projects are stated at cost less accumulated amortisation and impairment charges. Development assets 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.

12. Oil and gas properties (continued)

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.

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 when the cash call is 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 fields 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 (2P) 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 assets 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.

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.

12. Oil and gas properties (continued)

For GC-21, the well had two planned target intervals. The shallower DTR-10 sand was an appraisal target, having already been discovered by previous wells (prior to Otto's involvement). The deeper MP sand was an exploration target. Therefore the accounting for the drilling of the GC-21 Bulleit well involved capitalising drilling expenses initially while the DTR-10 sand was tested. Once the DTR-10 sand was deemed a discovery and casing successfully set, drilling costs from that point on were then expensed as the well progressed through the exploration stage of testing the MP sand exploration target. At 30 June 2019 the well was drilling ahead toward the MP sand.

Impairment

Assets are tested for impairment in line with the accounting policies disclosed in Note 12(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 2019, the Group has separately assessed the SM 71 and Lightning cash-generating units and determined that no impairment indicators existed.

As at 30 June 2019 the GC-21 Bulleit well was drilling ahead to the MP sand exploration target, having successfully intersected the DTR-10 appraisal target. Subsequent to year end, the well successfully intersected the MP sand target logging approximately 110 feet of net oil pay. The well has been declared a commercial success and the joint venture is currently planning the tie back of the well to the GC-18 production platform. Utilising the data available, the Company has determined that it is probable that future economic benefits in excess of the carrying value will flow to the Group from the GC-21 asset. GC-21 was assessed for impairment indicators as at 30 June 2019. No impairment indicators were identified.

Amortisation

Estimation of amortisation of the SM 71 oil and gas asset is based on the updated 2P reserves estimate and estimated future development costs as at 30 June 2019. Producing assets are amortised on a unit of production basis on 2P reserves. The 2P reserves have been determined by an independent expert. The method of amortisation necessitates the estimation of oil and gas reserves over which the carrying value of the relevant asset will be expensed to profit or loss. See below for judgements relating to reserve estimates

No amortisation has been applied to the Lightning oil and gas field for the year to 30 June 2019 as the field only reached steady state production in June 2019, hence the amortisation amount was not material.

There is no amortisation for the GC-21 asset as the Bulleit well was still drilling as of 30 June 2019, hence production had not commenced.

Reserve Estimates

Estimation of reported recoverable quantities of proved and provable reserves include judgemental assumptions regarding commodity prices, exchange rates, discount rates and production and transportation cost for future cash flows. It also requires interpretation of complex geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period. Changes in reported reserves can impact assets' carrying amounts, provision for restoration and recognition of deferred tax asses due to changes in expected future cash flows. Reserves are integral to the amount of depreciation, amortisation and impairment charged to the income statement.

12. Oil and gas properties (continued)

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

	2019 US$'000	2018 US$'000
Trade payables	2,874	2,141
Success Fee – convertible note see note 14	187	163
Interest payable – convertible note see note 14	-	1,225
Other Accrued expenses	1,412	1,234
	4,473	4,763

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. Convertible Note

Convertible note	2019 US$'000	2018 US$'000
Balance at the beginning of the year	7,542	-
Convertible note debt host liability – at cost	(7,453)	7,453
Interest accretion (reversal)	(347)	347
Convertible note transaction costs – at cost	258	(258)
Balance at the end of the year	-	7,542

14. Convertible Note (continued)

	2019 US$'000	2018 US$'000
Convertible note derivative		
Balance at the beginning of the year	3,183	-
Convertible note embedded derivative – at fair value through statement of profit or loss	(3,183)	3,183
Balance at the end of the year	-	3,183

On 2 August 2017 the Company issued $8.2 million secured convertible notes (the 'Notes') to Molton Holdings Limited, a major Otto shareholder ($8.0 million) and Mr John Jetter, Otto's Chairman ($0.2 million).

Under the terms of the Convertible Notes issued on 2 August 2017, Otto issued a redemption notice to the Noteholders on 26 March 2019 for the full 8.2 million convertible notes. The Noteholders elected to convert 100,000 of the notes into ordinary shares with the balance of 8.1 million notes redeemed on 30 April 2019.

On 30 April 2019, J Jetter converted 100,000 convertible notes to 2,599,211 shares at a conversion price of AUD0.05418 (USD conversion rate 0.7101). As at 30 June 2019 there was a success fee payable to the noteholders of $187,000. This was fully paid by the due date of 30 July 2019.

As at 30 June 2019 there was no principle outstanding and no interest payable.

Key estimates and judgements

For accounting purposes, the Notes had two elements: a debt host liability component and an embedded derivative component. On initial recognition, the fair value of the embedded derivative component was calculated first and the residual value assigned to the debt host component. No gain or loss was recognised on inception.

The debt host liability component was subsequently carried at amortised cost whereby the initial carrying value of the liability was accreted to the principal amount over the life of the Note. The accretion was recognised as a finance cost together with the interest expense (refer note 5). The debt host liability balance reduced to nil on redemption of the convertible notes on 30 April 2019.

The fair value of the embedded derivative was determined each balance date using the Black Scholes model and any changes in fair value recorded in profit or loss. On the date of issue of the Notes, the fair value of the embedded derivative liability was determined to be $0.747 million using a Black Scholes valuation based on the time to expiry, the Company's share price of A$0.028, risk free interest rate of 1.8% and assuming 68% volatility. The fair value of the embedded derivative liability at 30 June 2018 was determined to be $3.183 million using a Black Scholes valuation based on the time to expiry, the Company's 30 June 2018 share price of A$0.065 (note this is above the conversion price of A$0.055), risk free interest rate of 2.0% and assuming 65% volatility. At 30 June 2019 the entries were reversed as the convertible notes were redeemed in April 2019. The reversal of the fair value balance of $3.183 million has been recognized in the profit and loss (refer note 5).

15. Provisions

	2019 US$'000	2018 US$'000
Current		
Employee benefits	170	201
Tax	3	1
Decommissioning fund [ii]	-	-
	173	202
Non-current		
Employee benefits [i]	17	6
Decommissioning fund - Lightning[ii]	111	-
Decommissioning fund – SM 71 [ii]	1,461	1,122
	1,589	1,128

(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 and facilities. The expenditure is expected to be settled at the end of the field life for the 2P production profile.

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 the 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.

15. Provisions (continued)

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

16. Contributed equity

a) Share capital

	2019 Number	2018 Number	2019 US$'000	2018 US$'000
Balance at beginning of year	1,530,928,490	1,186,298,324	90,704	81,895
Shares issued – placement	377,038,698[i]	236,857,143	14,235	5,986
Shares issued – entitlement offers	545,159,326[ii]	-	20,002	-
Shares issued – share purchase plan	-	100,000,166	-	2,660
Shares issued - directors	-	6,142,857	-	163
Shares issued on conversion of notes	2,599,211[iii]	-	100	-
Shares issued on exercise of performance rights	4,739,000[iv]	1,630,000	-	-
Balance at end of year	2,460,464,725	1,530,928,490	125,041	90,704

(i) Share placements

a. August 2018 at AUD0.059 per share, converted to USD at the exchange rate on the transaction date of 0.7372. Net of share issue costs.

b. April 2019 at AUD0.053 per share, converted to USD at the exchange rate on the transaction date of 0.7124. Net of share issue costs.

(ii) Share entitlements:

a. Institutional entitlement issued August 2018 at AUD0.059 per share, converted to USD at the exchange rate on the transaction date of 0.7372. Net of share issue costs.

b. Institutional entitlement issued April 2019 at AUD0.053 per share, converted to USD at the exchange rate on the transaction date of 0.7124. Net of share issue costs.

c. Retail entitlement issued August 2018 at AUD0.059 per share, converted to USD at the exchange rate on the transaction date of 0.7307. Net of share issue costs.

d. Retail entitlement issued April 2019 at AUD0.053 per share, converted to USD at the exchange rate on the transaction date of 0.7020. Net of share issue costs.

(iii) Shares issued to J Jetter on conversion of 100,000 convertible notes April 2019 at conversion price AUD0.05418 and converted to USD at 0.7101

(iv) Shares issued on exercise of performance rights November 2018 (4,729,000) and February 2019 (10,000)

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 21.

16. Contributed Equity (continued)

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 21.

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.

17. Reserves

	2019 US$'000	2018 US$'000
Share-based payments reserve	9,879	9,549
Foreign currency translation reserve	4,188	4,188
	14,067	13,737
Share-based payments reserve		
Balance at beginning of year	9,659	9,549
Share-based payment expense	220	110
Balance at end of year	9,879	9,659
Foreign currency translation reserve		
Balance at beginning of year	4,188	4,188
Reversal of FCTR to other comprehensive income	-	-
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 21 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. The FCTR balance has been carried forward since 2011 when the functional currency for the financial statements of Otto Energy Philippines Inc. was changed from PHP to USD following the election by Otto Energy Philippines Inc to use USD as it's functional currency.

18. 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

18. Financial instruments (continued)

financial risks within the Group's operating units. The Board then receives reports as required from the Chief Financial Officer or Senior Commercial Manager in which they review the effectiveness of the processes implemented and appropriateness of policies it sets. At all times during the year, and to the date of this report, the Group did 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.

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 USD to AUD exchange rate on Australian dollar 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 exchange rates. The exposure to currency risk is measured using sensitivity analysis and cash flow forecasting.

The Board has formed the view that in the ordinary course of business 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.

During the year the company undertook capital raising activities via the issue of new shares on the ASX. These capital raisings are priced and received in AUD. Over the time period of a capital raising there is some short-term exposure to movements in the AUD to USD exchange rates. During the year the company utilised some forward contracts to buy USD in order to mitigate the currency risk. There are no outstanding currency hedges at year end.

A hypothetical change of 10% (2018: 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 2019, 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. At 30 June 2019 the Group's exposure to the risk of changes in the market interest rates relates to interest income on cash and cash equivalents held with financial institutions. The convertible notes facility that the Group had entered into was redeemed in the year and had a fixed interest rate so was not exposed to interest rate risk. Refer note 14.

18. Financial instruments (continued)

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

	2019 US$'000	2018 US$'000
Cash and cash equivalents	7,383	5,945
	7,383	5,945

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)**	
	2019 US$'000	**2018** US$'000
Increase 100 basis points	74	59
Decrease 100 basis points	(74)	(59)

iii) Commodity price risk

During the year the Group generated revenue from its SM 71 oil production and in May 2019 commenced selling gas and condensate from the Lightning field. With this oil and gas production and sales, the group is exposed to US oil and gas price fluctuations.

Exposure to oil and gas price risk is measured by monitoring and stress testing the Group's forecast financial position and cash flows against sustained periods of low oil and gas 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 and protect forward cash flows to meet commitments. This will be balanced against the desire to expose shareholders to oil price upside and the reliability of production forecasts. Commodity hedging may also be undertaken when there is a hedging requirement under a lending facility.

On 3 April 2019 Otto announced that it has implemented a hedging program in the United States for its SM 71 oil production. The hedging program is designed to provide certainty of cash flows and funding during a period of significant investment in growth projects.

Otto acquired US$60/bbl puts over 111,000 bbls of oil production from its interest in the SM 71 oil field. The monthly volumes covered by the put options were between 50% and 70% of the forecast Proved Developed Producing (PDP) production from the Sm 71 field (PDP forecast is as per the Collarini 30 June 2018 reserves estimation).

The puts are based on the LLS benchmark and the premium for the puts is US$1.75/bbl amounting to a total of US$194,000 for the program which was paid up front.

18. Financial instruments (continued)

The use of US$60/bbl strike price put options provide Otto with a minimum price receivable for those barrels. Otto still maintains the upside exposure where the LLS benchmark price achieved is over US$60/bbl.

As at 30 June 2019 Otto has US$60/bbl puts remaining over 65,000 bbls of SM 71 production for the moths of July to October

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-'. Contracts for the sale of production from SM 71 and Lightning are with 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. At reporting date no receivables were overdue.

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

	2019 US$'000	2018 US$'000
Cash and cash equivalents	7,383	5,945
Trade and other receivables	3,311	4,028
	10,694	9,973

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 and no receivables were overdue.

18. Financial instruments (continued)

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

	Carrying Value US$'000	Total US$'000	Less than 1 year US$'000	Between 1-2 years US$'000	Between 2-5 years US$'000
Trade and other payables					
2019	4,473	4,473	4,473	-	-
2018	4,763	4,763	4,763	-	-
Convertible Notes – refer note 14					
2019	-	-	-	-	-
2018	7,542	7,542	7,542	-	-

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 at year end comprises equity and no debt (2018: Debt to equity ratio of 51% based on the accounting carrying value of the convertible note as at 30 June 2018).

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

c) Equity price risk

The Group is not exposed to equity price risk on its financial liabilities

d) Fair values

The following table shows the carrying amounts and fair values of financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial liabilities not measured at fair value if the carrying value is a reasonable approximation of fair value. The different valuation methods are called hierarchies and they are described below:

18. Financial instruments (continued)

	Level	Carrying Amount		Fair Value	
		2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Financial liabilities measured at fair value					
Convertible note derivative	Level 2	-	3,183	-	3,183
		-	3,183	-	3,183
Financial liabilities not measured at fair value					
Convertible note liability	Level 2	-	7,542	-	7,542
		-	7,542	-	7,542

Fair value hierarchy

Level 1 – the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – the fair values are measured using inputs (other than quoted prices) that are observable for the asset or liability either directly or indirectly; or

Level 3 – the fair values are measured using inputs for the assets or liability that are not based on observable market data.

Cash and cash equivalents, trade and other receivables, trade creditors, other creditors and accruals have been excluded from the above analysis as their fair values are equal to the carrying values.

The 2018 fair value of convertible note derivatives was determined using a Black-Scholes model based on the time to expiry. The key drivers of this value included the Group's own share price and the foreign exchange rate.

OTHER DISCLOSURES

19. 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	Ownership Interest [i]	
				2019 (%)	2018 (%)
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	USA	USD	Ordinary	100	100
Otto Energy (Gulf Two) LLC	USA	USD	Ordinary	100	100
Otto Operating LLC[ii]	USA	USD	Ordinary	100	100
Otto Energy (Lightning) LLC[iii]	USA	USD	Ordinary	100	-
Otto Energy (Patrick Henry) LLC[iv]	USA	USD	Ordinary	100	-

[i] The proportion of ownership interest is equal to the proportion of voting power held.
[ii] Otto Operating LLC was incorporated on 9th April 2018.
[iii] Otto Energy (Lightning) LLC was incorporated on 6th February 2019.
[iv] Otto Energy (Patrick Henry) LLC was incorporated on 6th February 2019.

20. 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.

20. Interest in joint operations (continued)

The Group's interest in joint arrangement assets is detailed below. Oil and Gas exploration and production is the principal activity performed across these assets.

Asset	Country	2019 Group interest	2018 Group interest
South Marsh Island 71	USA	50%	50%
Bivouac Peak [i]	USA	-	45%
VR 232 [ii]	USA	100%	50%
Onshore Alaska North Slope – Western Blocks	USA	22.5%	22.5%
Onshore Alaska North Slope – Central Blocks	USA	8 – 10.8%	8 – 10.8%
Lightning[iii]	USA	37.5%	-
Mustang[iv]	USA	37.5%	-

(i) Otto's interest in Bivouac Peak was on an earn-in basis. As the well was not a commercial discovery there was no transfer of ownership, therefore no JV interest held at 30 June 2019.
(ii) Otto increased it's working interest in VR 232 to 100% in May 2019.
(iii) Otto entered into a Joint Operating Agreement with Hilcorp for a 37.5% working interest in Lightning on 1 November 2018.
(iv) Otto entered into a Joint Operating Agreement with Hilcorp for a 37.5% working interest in Mustang on 1 March 2019.

b) Commitments through joint operations

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

	2019 US$'000	2018 US$'000
Exploration expenditure commitments – not later than 1 year	5,744	750
Capital expenditure commitments – not later than 1 year	-	-
	5,744	750

Operating lease arrangements
Operating lease arrangements relate to the lease of a compressor on the SM 71 F platform. The term is for a minimum 36 months with a 30 day notice period option to discontinue the arrangement beyond the 3 year period. These obligations are not provided for in the financial statements and the Group doesn't have a purchase option.

	2019 US$'000	2018 US$'000
(a) Payments recognised as an expense		
Net minimum lease payments recognised as an expense	54	26
(b) Minimum net future lease payments		
Not longer than 1 year	56	54
Between 1 and 5 years	9	65
	65	119

21. 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 employees and key management personnel (KMP) 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.

There were no options on issue during the 2019 financial year.

The Company did not grant any options during the 2019 or 2018 financial years. During the year ended 30 June 2019, nil (2018: nil) options expired.

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.

21. Share-based payments (continued)

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

2019		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
23 Apr 2015	31 Dec 2019	0.06	1,543,334	-	-	-	1,543,334
23 Apr 2015	31 Dec 2019	0.07	3,096,666	-	(10,000)	-	3,086,666
29 Nov 2017	29 Nov 2022	0.05	4,729,000	-	(4,729,000)	-	-
29 Nov 2017	29 Nov 2022	0.05	4,729,000	-	-	-	4,729,000
29 Nov 2017	29 Nov 2022	0.04	4,729,000	-	-	-	4,729,000
21 Dec 2018	15 Nov 2023	0.07	-	5,919,333	-	-	5,919,333
21 Dec 2018	15 Nov 2023	0.08	-	2,959,667	-	-	2,959,667
15 Nov 2018	15 Nov 2023	0.07	-	2,396,000	-	-	2,396,000
21 Dec 2018	15 Nov 2023	0.07	-	5,533,667	-	-	5,533,667
15 Nov 2018	15 Nov 2023	0.08	-	2,396,000	-	-	2,396,000
21 Dec 2018	15 Nov 2023	0.08	-	5,533,667	-	-	5,533,667
15 Nov 2018	15 Nov 2023	0.10	-	2,396,000	-	-	2,396,000
21 Dec 2018	15 Nov 2023	0.10	-	5,533,666	-	-	5,533,666
Total			18,827,000	32,668,000	(4,739,000)	-	46,756,000
Weighted average exercise price – A$			0.05	0.08	0.05	-	0.07

2018		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	10,000	-	(10,000)	-	-
3 Oct 2014	31 Dec 2018	0.06	1,610,000	-	(1,610,000)	-	-
23 Apr 2015	31 Dec 2019	0.06	1,543,334	-	-	-	1,543,334
23 Apr 2015	31 Dec 2019	0.07	3,096,666	-	-	-	3,096,666
23 Apr 2015	31 Dec 2019	0.08	10,000	-	(10,000)	-	-
14 Aug 2015	31 Dec 2017	0.04	1,400,000	-	-	(1,400,000)	-
29 Nov 2017	29 Nov 2022	0.05	-	4,729,000	-	-	4,729,000
29 Nov 2017	29 Nov 2022	0.04	-	4,729,000	-	-	4,729,000
29 Nov 2017	29 Nov 2022	0.04	-	4,729,000	-	-	4,729,000
Total			7,670,000	14,187,000	(1,630,000)	(1,400,000)	18,827,000
Weighted average exercise price – A$			0.06	0.05	0.06	0.04	0.05

21. Share-based payments (continued)

Set out below is the share based payment expense:	2019 US$'000	2018 US$'000
Performance rights issued in financial year 2015	13	24
Performance rights issues in financial year 2018	93	86
Performance rights issues in financial year 2019	114	-
Total	220	110

The fair value of the performance rights granted under the Plan in 2019 is estimated at the date of grant using a single share price barrier model. The amount of performance rights that will vest depends on the 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, vesting of the rights for directors, the CEO and other members of the executive team were based on TSR performance only. Other employees' rights (40,000 rights in total) were based 50% on time and 50% on TSR. The TSR performance required for all rights on issue as at 30 June 2018 is 10% per annum (based on 30 day VWAP) and for the rights granted during the current year ended 30 June 2019 is 15%, compounding from the date of grant to the measurement date (based on 90 day VWAP). If the TSR vesting condition is not met on a measurement date, no rights vest and those performance rights continue to exist as unvested performance rights to be retested at the next measurement date or expiry date if there are no further measurement dates

The following table lists inputs to the models used for grants made during the year ended 30 June 2019.

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

2019

Measurement date	15 Nov 2019	15 Nov 2020	15 Nov 2021	15 Nov 2019	15 Nov 2020	15 Nov 2021
Grant date	21Dec 2018	21Dec 2018	21Dec 2018	15 Nov 2018	15 Nov 2018	15 Nov 2018
Expiry date	15 Nov 2023	15 Nov 2023	15 Nov 2023	15 Nov 2023	15 Nov 2023	15 Nov 2023
Share price at grant date – A$	0.035	0.035	0.035	0.050	0.050	0.050
Expected volatility	70%	70%	70%	70%	70%	70%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil	Nil
Risk free rate	1.97%	1.97%	1.90%	2.08%	2.08%	2.16%
Fair value – A$	0.0078	0.0121	0.0145	0.0216	0.0251	0.0272

The expected price volatility of 70% is based on a standard deviation of OEL's closing share price over a period of 3 years to grant date.

The weighted average remaining contractual life of performance rights outstanding at 30 June 2019 was 3.8 years (2018: 3.7 years).

21. Share-based payments (continued)

2018

Measurement date	29 Nov 2018	29 Nov 2019	29 Nov 2020
Grant date	29 Nov 2017	29 Nov 2017	29 Nov 2017
Expiry date	29 Nov 2022	29 Nov 2022	29 Nov 2022
Share price at grant date – A$	0.04	0.04	0.04
Expected volatility	20%	20%	20%
Expected dividend yield	Nil	Nil	Nil
Risk free rate	2.09%	2.09%	2.09%
Fair value – A$	0.0260	0.0200	0.0150

The expected price volatility of 20% was based on the 30 day volume weighted average price (VWAP) which is the applicable volatility measure for the rights given vesting is determined by a 30 day VWAP.

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 2019, the Group recognised share-based payments expense of $219,923 in the Consolidated Statement of Profit or Loss and Other Comprehensive Income (2018: $109,556).

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 in 2019 is determined using a single share price barrier model.

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 any non-market performance conditions being met and (iii) the expired portion of the vesting period.

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.

21. Share-based payments (continued)

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 a single share price barrier 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.

22. Related parties

	2019 US$	2018 US$
Key management personnel compensation		
Short-term employee benefits	2,041,107	1,125,219
Post-employment benefits	83,028	70,914
Other benefits	356,632	3,264
Termination benefits[i]	61,676	(17,553)
Share-based payments	200,687	95,100
Total USD	2,743,130	1,276,944
Total AUD equivalent	3,840,540	1,647,979

Detailed remuneration disclosures are provided in the remuneration report on pages 50 to 62.

Transactions with key management personnel

On 2 August 2017 the Company issued $8.2 million secured convertible notes (the 'Notes'). $0.2 million of the Notes were issued to Mr John Jetter, Otto's Chairman. Refer to note 14 for more information on the Notes.

Under the terms of the Notes, Otto issued a redemption notice to the Noteholders on 26 March 2019 for the full 8.2 million convertible notes. Mr Jetter elected to convert 100,000 of the notes into ordinary shares with the balance redeemed on 30 April 2019.

On 30 April 2019, the 100,000 Notes were converted and 2,599,211 ordinary shares were issued to Mr Jetter at a conversion price of AUD0.05418 (USD conversion rate 0.7101). As at 30 June 2019 there was a success fee payable to the noteholders of $187,000 of which $4,562 was payable to Mr Jetter. This was fully paid by the due date of 30 July 2019. As at 30 June 2019 there was no principle outstanding and no interest payable under the terms of the Notes.

22. Related parties (continued)

Pathfinder Energy Pty Ltd, a company of which Mr Ian Boserio is a director ceased the sublease of premises with Otto Energy Ltd at 32 Delhi St, West Perth on 31 May 2019. The sublease was on a month to month basis at $1,000 per month until 30 November 2018 and $1,383.25 thereafter. There were no amounts outstanding at balance date.

During the period the Company engaged the services of US consulting firm Amvest Capital. Amvest capital is a related party by virtue of non-executive director Ian Macliver's son being a partner in the firm. Ian Macliver has no financial, ownership or other interest in Amvest Capital beyond his relationship with his son. Ian Macliver was not involved in the negotiation with, or appointment of, Amvest Capital as an advisor to Otto. The fees paid to Amvest Capital during the period for US investor relations consulting services was $32,768.

23. 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:

	2019 US$	2018 US$
BDO Australia		
Audit and review of financial statements	34,450	34,419
Tax compliance services	13,058	3,751
Tax consulting and tax advice	1,410	1,056
Total remuneration of BDO Australia	**48,918**	**39,226**
Network firms of BDO Australia		
Audit and review of financial statements	24,196	7,681
Tax compliance services	11,067	14,001
International tax consulting	968	12,265
Total remuneration of network firms of BDO Australia	**36,231**	**33,947**
Non-BDO		
Audit and review of financial statements	1,160	6,021
Tax compliance services	-	1,764
Total remuneration of non-BDO audit firms	**1,160**	**7,785**
Total auditors' remuneration	**86,309**	**80,958**

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 where BDO is awarded assignments on a competitive basis. It is the Group's policy to seek competitive tenders for all major consulting projects.

24. Contingent liabilities

There are no contingent liabilities at balance date.

25. Commitments

a) Exploration expenditure commitments

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

	2019 US$'000	2018 US$'000
Not later than 1 year	5,234	750
Later than one year but not later than five years	510	-
	5,744	750

Under the Joint Exploration and Development Agreement with Hilcorp dated 31 July 2018, in the event of a default of its obligations, Otto Energy (USA) Inc is required to pay Hilcorp liquidated damages (LDs) of $1,000,000 for each prospect that is not an earned prospect. As at 30 June 2019, the potential contractual LD's are $4,000,000, representing 4 undrilled wells.

b) Capital expenditure commitments

There was no capital expenditure committed to at reporting date that was not recognised a liability in the financial statements.

c) Lease commitments

The Group has entered into non-cancellable operating leases for corporate offices, a photocopier and a compressor (in JV with Byron Energy Ltd for the SM 71 Development). The leases have varying terms, including escalation and renewal rights.

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

	2019 US$'000	2018 US$'000
Not later than 1 year	203	170
Later than 1 year but not later than 5 years	195	389
	398	559

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. Lease rentals due on the Group's exploration leases can be cancelled and the leases relinquished. Therefore the lease rentals are not non-cancellable and hence are not included in the above.

26. Events after the reporting period

No matters or circumstances have arisen since 30 June 2019 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 apart from those listed below:

- *GC 21 – Bulleit Well*

  On 8 August 2019 Otto announced that the GC 21 "Bulleit" well, operated by Talos Energy, Inc ("Talos") (NYSE: TALO) had been successfully drilled to Total Depth. The well drilled through the deeper exploration target, the MP sands, after intersecting oil pay in the shallower DTR-10 sand package as announced to the ASX on 13 June 2019. The well intersected the following discovered intervals:

  - DTR-10 interval –net 140 feet of TVD oil pay encountered; and
  - MP interval – approximately net 110 feet of TVD oil pay expected to be delivered in high quality reservoir consistent with analogue wells in the GC18 field.

  Following the discovery in the DTR-10 sands, attempt to drill to the deeper objective MP sands were delayed due to poor hole conditions and compromised drilling operations requiring sidetracking. In addition, the passing of Hurricane Barry required the rig to disconnect to ensure safe operations. As a result of these operations, the cost of drilling the GC21 "Bulleit" well exceeded the pre-drill estimates of US$9.0m net to Otto. The effect of these events is expected to increase Otto's financial exposure to the Bulleit well by approximately US$6.5 to US$7.5m net to Otto.

  The GC 21 development plan is being progressed by the Operator to complete the discovery well in the first half of 2020. The Operator will complete the well as a production well and then tie it back to the Talos-owned and operated Green Canyon 18 (GC 18A) facility approximately 10 miles (~16 km) west of the "Bulleit" well. The development will involve the use of a subsea completion that is common for projects of this nature and water depth in the Gulf of Mexico. The joint venture will undertake a review of the operator's plan of development in the coming month with formal commitment to the development expected shortly thereafter.

  Subject to the commitment to development outlined above, Otto will report maiden reserves from the GC21 discovery incorporating the development plans.

  The Company is working on a finance facility to fund the development.

- *Mustang*

  On 23 July 2019 Otto advised that the initial exploration well, Thunder Gulch #1, within the Mustang prospect in Chambers County Texas, has reached final total depth of 18,164 ft MD (18,001 ft TVD).

  Petrophysical evaluation of wireline logging data together with mudlog hydrocarbon shows seen whilst drilling indicated the presence of a total net hydrocarbon filled sand interval of approximately 57 feet TVT (True Vertical Thickness). This petrophysical evaluation was undertaken using historical parameters for production performance in the play trend. The Operator, Hilcorp Energy, then ran production casing and completed the well.

  The operator has sourced equipment required for the testing of the deep, high pressure Mustang discovery. With reservoir pressures at the discovery location of over 15,000 psi, specialised high-pressure equipment is required that is not commonly used. The initial testing will involve the perforation of various discovery intervals in order to understand reservoir deliverability and the design of a completion program to optimise ultimate production.

  Once the testing phase of the discovery is completed, the joint venture would then plan for the installation of surface production equipment and the connection into a nearby sales pipeline to enable production to commence. This is expected to occur during the fourth quarter of 2019, subject to the outcome of the impending test program.

26. Events after the reporting period (continued)

Through participation in the drilling of the Thunder Gulch #1 exploration well, Otto has earned a 37.5% working interest in the leases covering the entire prospect.

- *SM 71*

Otto announced on 22 August 2019 that Byron Energy, the operator of SM 71, had advised that it had completed the interpretation of reprocessed seismic data, resulting in the identification of two areas in the D5 Sand reservoir which it believes will not be drained efficiently by the currently producing SM 71F1 and SM 71 F3 wells. To effectively drain these two areas, the Operator has estimated that two additional wells will be needed to fully develop the D5 Sand reservoir at SM 71.

The first of these proposed wells, the SM 71 F4, would test a D5 Sand reservoir anomaly that is outboard of the main D5 field, (see attached illustration). If successful, this would extend and prove up additional reserves in the D5 reservoir. The second proposed well, the SM 71 F5, will test an area that the Operator believes will be poorly drained, if at all, by the F3.

The Operator estimates that after the SM71 F4 and SM71 F5 wells are completed, assuming success, the D5 reservoir at SM 71 will be fully developed except for an attic well required in three- or four-years' time.

Otto has the right to participate in the wells at its working interest of 50%. Otto is currently considering all materials provided by the operator and evaluating the proposed wells using its own recently reprocessed 3D data over the area. Operator has advised that it is in final stages of negotiating a rig contract for this drilling program and it is expected to be available and on location in early October, pending final permit approvals.

Currently the field is producing approximately 3,100 bopd and 3.3 mmcfgpd, on a gross basis after shrinkage at the sales meter.

- *Board and Executive Changes*

On 11 September 2019 the Company announced that its Chairperson, Mr John Jetter, had confirmed to the Board, and the Board of Otto had agreed, that he will step down from the role of Chairperson at the coming Annual General Meeting of shareholders on 21 November 2019. Mr Jetter will remain as a non-executive director and serve on the current Board Committees of which he is a member in order to oversee the seamless transition of the role of Chairperson and the successful delivery of Otto's Board renewal which has commenced under his guidance. Mr Jetter will not seek re-election at the Annual General Meeting in 2020.

Mr Ian Boserio has been nominated by the Board as Chairperson Elect to assume the role vacated at the 2019 Annual General Meeting by Mr Jetter. In the meantime Mr Boserio will assume the role of Deputy Chair.

In addition, Mr Ian Macliver, has advised the Board that he also will retire upon the appointment of a suitably qualified, independent non-executive director to assume the roles he currently occupies. A process has commenced to identify a candidate for this role and Mr Macliver has advised that he will retire from the Board of Otto Energy at the time his replacement is appointed, or at the latest by 30 June 2020.

The Board renewal process will be an ongoing focus of the Board to ensure that its composition reflects the nature of the business as it evolves from being primarily focused on exploration activities towards development and production activities.

On 23 August 2019 the Company advised that had accepted the resignation of its Chief Financial Officer and Company Secretary, Mr. David Rich. Mr. Rich joined Otto in January 2017 and has been a highly valued member of the management team in supporting the successful development of the US Gulf of Mexico business. Mr Rich will continue in his current roles until 1 November 2019. The Board thanked Mr. Rich for his contribution to the business over the last two and a half years.

26. Events after the reporting period (continued)

The Board has commenced a process to appoint a new Chief Financial Officer in Houston as part of the ongoing commitment it made in April 2018 to supporting the growth of the US Gulf of Mexico business. This will involve the transition of the majority of the financial and accounting support functions from Perth to Houston.

- *Reserves Statement*

On 19 September 2019 the Company released its statement of reserves and prospective resources as at 30 June 2019. The statement of reserves included SM 71 and the maiden statement of reserves for Lightning. The reserves for SM 71 and Lightning were compiled by independent consultants Collarini and Associates and Ryder Scott Company respectively. The summary statement of reserves and prospective resources at 30 June 2019 is set out below. The individual statements for SM 71 and Lightning are included in the Production and Development section above. Full details including the reconciliations and notes on the statements are included in the ASX release of 19 September 2019.

Total	Gross (100%)			Otto Net		
	Oil (Mbbl)	Gas (MMscf)	MBoe	Oil (Mbbl)	Gas (MMscf)	MBoe
Proved Producing	3,219	12,599	5,318	1,271	3,910	1,923
Proved Behind Pipe	682	3,765	1,310	265	1,118	452
Proved Undeveloped	1,927	11,117	3,779	746	3,292	1,295
Proven (1P)	**5,828**	**27,481**	**10,407**	**2,282**	**8,320**	**3,670**
Probable	6,094	19,823	9,398	2,417	6,101	3,434
Proven Plus Probable (2P)	**11,922**	**47,304**	**19,806**	**4,699**	**14,421**	**7,103**
Possible	3,664	34,468	9,409	1,371	10,072	3,049
Proven Plus Probable Plus Possible (3P)	**15,586**	**81,772**	**29,214**	**6,070**	**24,492**	**10,152**
Total Prospective Resource (best estimate, unrisked)				67,309	89,875	82,289

- *Hedging*

On 20 September 2019 Otto acquired $55.00 per barrel put options over 34,500 barrels of oil from October 2019 to January 2020 at a premium of $1.83 per barrel in accordance with its commodity price risk management policy.

27. Parent entity disclosures

As at, and throughout the financial year ended 30 June 2019, the parent company of the Group was Otto Energy Limited.

	Parent entity	
	2019 US$'000	2018 US$'000
Summarised statement of profit or loss and other comprehensive income		
Loss for the year after tax	(40,071)	(5,486)
Total comprehensive loss for the year	(40,071)	(5,486)
Summarised statement of financial position		
Current assets	4,536	1,936
Non-current assets	33,128	51,185
Total assets	37,664	53,121
Current liabilities	469	12,471
Non-current liabilities	17	6
Total liabilities	486	12,477
Net assets	37,178	40,644
Total equity of the parent entity comprises:		
Share capital	125,041	90,704
Share based payments reserves	9,878	9,658
Foreign currency translation reserve	118	118
Accumulated losses	(97,859)	(59,836)
Total equity	37,178	40,644

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 71.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2019 and 30 June 2018 beyond those listed in Note 24

27. Parent entity disclosures (continued)

Commitments

The parent entity had no capital commitments as at 30 June 2019 and 30 June 2018. The parent entity has an operating lease on office premises expiring 30 November 2019.

	2019 US$'000	2018 US$'000
Not later than 1 year	11	3
Later than 1 year but not later than 5 years	-	-
	11	3

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.

28. New accounting standards and interpretations

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

The Group has applied the following standards for the first time for their interim reporting period commencing 1 July 2018.

- AASB 9 *Financial Instruments ("AASB 9"), and*
- AASB 15 *Revenue from Contracts with Customers ("AASB 15").*

The Group had to change its accounting policies and make certain adjustments following the adoption of AASB 15, however adoption did not give rise to any material transitional or reporting date adjustments.

The Group had to change its accounting policies following the adoption of AASB 9, however adoption did not give rise to any material transitional or reporting date adjustments.

AASB 15

The Group has adopted AASB 15 with a date of initial application of 1 July 2018. As a result of adoption of AASB 15, the Group has changed its accounting policy for revenue recognition as detailed below:

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

Impact of Adoption of AASB 15

The Group has determined that the application of AASB 15's requirements at transition 1 July 2018 did not result in any adjustment.

AASB 9

The Group has adopted AASB 9 with a date of initial application of 1 July 2018 and has elected not to restate its comparatives. As a result, the Group has changed its accounting policy for financial instruments as detailed below.

28. New accounting standards and interpretations (continued)

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets
Financial assets are classified according to their business model and the characteristics of their contractual cash flows and are initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent measurement of financial assets
For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following four categories:

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss ("FVTPL")
- Debt instruments at fair value through other comprehensive income ("FVTOCI")
- Equity instruments at FVTOCI

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial assets at amortised cost
Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of 'hold to collect' contractual cash flows are accounted for at amortised cost using the effective interest method. The Group's trade and most other receivables fall into this category of financial instruments.

Impairment
The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI.
The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward looking information to calculate the expected credit losses using a provision matrix.

The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

28. New accounting standards and interpretations (continued)

Impact of the adoption of AASB 9
The Group has determined that the application of AASB 9's requirements at transition 1 July 2018 did not result in a material adjustment.

Impact of standards issued but not yet applied by the entity

AASB 16 Leases is effective for the reporting period commencing 1 July 2019. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Group is still in the process of fully assessing the impact on the Group's financial results and position when it is first adopted for the year ending 30 June 2020.

DIRECTORS' DECLARATION

For the year ended 30 June 2019

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 2019 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 2019 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 2019 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 2019.

On behalf of the Board

I Macliver

Mr I Macliver
Director
25 September 2019

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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 2019, 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 2019 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.

Carrying Value of Oil and Gas Properties

Key audit matter	*How the matter was addressed in our audit*
The Group's carrying value of oil and gas properties as disclosed in note 12 is a key audit matter as the assessment of carrying value requires management to exercise judgement in assessing whether facts and circumstances exists to suggest that the carrying amount of this asset may exceed its recoverable amount.	Our work included but not limited to the following procedures: • Obtaining and reviewing available reserve report data from the management's experts 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 experts; • 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 12 to the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

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 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, 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.

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 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_responsibilities/ar1.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 50 to 62 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Otto Energy Limited, for the year ended 30 June 2019, 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

BDO

J Prue

Jarrad Prue

Director

Perth, 25 September 2019

ADDITIONAL ASX INFORMATION

As at 19 September 2019

Distribution of shareholdings

Range	Number of holders	Number of shares
1 – 1,000	157	24,384
1,001 – 5,000	229	722,041
5,001 – 10,000	524	4,396,966
10,001 – 100,000	2,412	101,620,758
100,001 and over	1,604	2,353,700,576
Total	4,926	2,460,464,725

Shareholders by location

	Number of holders	Number of shares
Australian holders	4,691	2,344,035,513
Overseas holders	235	116,429,212
	4,926	2,460,464,725

Unmarketable parcels

There were 691 shareholders holding less than a marketable parcel of shares.

Twenty largest shareholders

	Name	Ordinary shares	
		Number of shares	%
1	HSBC Custody Nominees (Australia) Limited	389,550,699	15.83%
2	National Nominees Limited	224,100,183	9.11%
3	Citicorp Nominees Pty Limited	200,980,141	8.17%
4	BNP Paribas Nominees Pty Ltd <AGENCY LENDING DRP A/C>	99,216,880	4.03%
5	J P Morgan Nominees Australia Limited	87,442,897	3.55%
6	BNP Paribas Nominees Pty Ltd <IB AU NOMS RETAILCLIENT DRP>	83,615,704	3.40%
7	BNP Paribas Noms Pty Ltd <DRP>	68,583,358	2.79%
8	CS Third Nominees Pty Ltd <HSBC CUST NOM AU LTD 13 A/C>	44,990,160	1.83%
9	Merrill Lynch (Australia) Nominees Pty Limited	32,028,269	1.30%
10	AMP Life Limited	31,822,116	1.29%
11	Nero Resource Fund Pty Ltd	19,049,153	0.77%
12	Mr. Jamie Pherous <BLACK DUCK HOLDINGS A/C>	18,000,000	0.73%
13	National Nominees Limited <DB A/C>	15,194,064	0.62%
14	DBS Vickers Securities (Singapore) Pte Ltd <CLIENT ACCOUNT>	14,020,833	0.57%
15	Black Gold Exploration P/L	13,625,000	0.55%
16	MR John Philip Daniels	12,050,000	0.49%
17	ECapital Nominees Pty Ltd	11,369,908	0.46%
18	Mr Matthew Gerard Allen	10,770,801	0.44%
19	CS Fourth Nominees Pty Limited	9,868,853	0.40%
20	Black Gold Nominees Pty Ltd <David Beverley Family A/C>	9,700,000	0.39%
		1,395,979,019	**56.72%**

Substantial shareholders

Name	Ordinary shares	
	Number of shares	%
Perennial Value Management (IOOF)	365,310,079	14,85
Molton Holdings Limited	305,859,697	12.43
AMP Capital	123,148,146	5.01

Unquoted securities

The unlisted securities of the Company are 46,756,000 performance rights. The performance rights do not carry a right to vote at a general meeting of shareholders.

Performance Rights

Grant date	Expiry date	Exercise price	Number of performance rights	Number of holders
23 April 2015	31 December 2019	A$0.00	4,630,000	3
29 November 2017	29 November 2022	A$0.00	9,458,000	7
15 December 2018	15 November 2023	A$0.00	7,188,000	5
21 December 2018	15 November 2023	A$0.00	25,480,000	6
			46,756,000	

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 Statements can be accessed at www.ottoenergy.com

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