OTTO ENERGY

28 September 2021
ASX RELEASE

FY21 FINANCIAL RESULTS

Otto Energy Limited (ASX:OEL) (**Otto** or the **Company**) is pleased to provide its financial results for the fiscal year ended 30 June 2021.

STRATEGIC DELIVERY

- Continued to advance the Company's strategic plan, based upon the following three pillars:

Pillar 1 – Base asset delivery excellence

- South Marsh 71 (**SM 71**) production continues to exceed independently calculated production profile and 1P reserve performance, resulting in reserve additions at H1 FY21 and again at year-end FY21.
- Significant growth at the Lightning field in Matagorda County, TX (**Lightning**) during the year. Production uplift due to second well coming on in February 2020, adding substantially to underlying production and cash flow.
- Green Canyon 21 (**GC 21**) commenced production from the MP reservoir in October 2020.

Pillar 2 – Organic growth within existing base

- As a result of GC 21 MP sand performance, acceleration in recompleting to the shallower DTR 10 Sand is planned for mid CY 2022. Expectation for post recompletion first production is Q3 2022 and accessing additional proved reserves.
- Advancing through acquisition of underlying seismic, full field development strategy for Lightning.
- Advancing recommendations for recompletion development potential at SM 71.

Pillar 3 – Inorganic growth via opportunity capture to enhance value

- Successful sale of 100%-owned Borealis Alaska LLC subsidiary to Pantheon Resources Plc for 14.27 million Pantheon shares (LSE: PANR) on 20 January 2021.
- Removed all remaining prospects from the eight-well Gulf Coast exploration package with Hilcorp; 'addition by subtraction' given market conditions had deteriorated.
- Significant increase in marketed prospect and asset potential in offshore/onshore GOM continues to be evaluated against articulated fiscal and technical discipline.

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FINANCIAL DELIVERY

EARNINGS

- **Production increased by 17%** to 3,032 boe/d at 56% liquids (FY20: 2,586 boe/d at 62% liquids), driven by Green #2 gas well commencing production in February 2020.
- **Total WI revenue increased by 38%** to US$39.7 million (FY20: US$28.8 million), attributable to increased production and higher crude oil, natural gas and NGL prices.
- **Net operating revenue increased by 31%** to US$30.1 million (FY20: US$23.0 million).
- **Ongoing implementation of organisation-wide cost reduction and efficiency drive.**
  - 62% reduction in field lifting costs per boe (operating expenses, business development, exploration costs), compared to prior period.
  - 28% reduction in non-field lifting costs per boe (G&A costs), compared to prior period, across multiple areas including employee benefits, administrative, licensing, legal and advisory/consultant costs.
- **Adjusted EBITDAX increased by 74%** to US$29.1 million (FY20: US$16.7 million), as a result of higher revenues, lower admin (G&A) costs, and the gain on sale of Borealis Alaska LLC.
- **Adjusted EBITDA increased by 628%** to US$26.4 million (FY20: US$3.6 million), as a result of less exploration expenditures.
- **Adjusted Net Income before tax** of US$17.9 million (FY20: -US$5.5 million).
- **Statutory Net Loss after tax** of -US$0.5 million (FY20: -US$1.4 million), predominantly driven by impairment expense and unrealized loss on derivatives.

CASHFLOW

- Net operating cashflow (pre-exploration) of US$18.9 million (FY20: US$10.5 million).
- Net operating cashflow (post exploration) of US$15.2 million (FY20: -US$0.7 million).
- Free cashflow (operating net investing) of US$3.8 million (FY20: -US$17.3 million).
- Debt repayment of US$9.2 million during the year.

LIQUIDITY

- Balance date cash of US$11.1 million.
- Balance date debt (drawn credit facility) of US$11.5 million.
- On 21 January 2021, Otto announced that its credit facility had been amended to:
  - Extend the potential drawdown of Tranche A2 (US$10M) to 31 March 2022
  - Establish timing for a GC 21 mitigation plan
  - Establish a minimum quarterly average production requirement of 1,900 boe/d until the GC 21 mitigation is completed (Otto net WI volume)

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OPERATIONS

The below table summarizes the Company's production, WI revenue and prices received during the fiscal years ended 30 June 2021 and 2020.

	FY 2021	FY 2020	% Change
Total Oil (Bbls)	537,496	515,811	4%
Total Gas (Mcf)	2,910,974	2,160,109	35%
Total NGLs (Bbls)	84,042	70,616	19%
Total BOE	1,106,700	946,445	17%
Total (Boe/d)	3,032	2,586	17%
Percent Liquids (%)	56%	62%	-9%
Total WI Revenue (US$MM)	$ 39.7	$ 28.8	38%
Avg oil price ($/Bbl) - pre-hedges	$ 48.35	$ 45.64	6%
Avg oil price ($/Bbl) - post-hedges	$ 47.16	$ 49.12	-4%
Avg gas price ($/Mmbtu)	$ 4.23	$ 1.98	113%
Avg NGL price ($/Bbl)	$ 16.98	$ 13.88	22%

COMMENT FROM EXECUTIVE CHAIRMAN AND CEO, MR MICHAEL UTSLER

"It was a year of significant focus on consolidation of Otto's production, revenue, and underlying earnings. As reflected, these were all increased substantially over FY20, while costs and expenditures were decreased. We also created near-term value potential through our successful disposition of our Borealis Alaska LLC subsidiary. This generated an US$8.0 million profit and provides access to additional upside through our 14.27 million shares of PANR and 0.5% ORRI. At balance date, the results of these efforts in FY 21 have strengthened the Company's liquidity position as our cash on hand plus value of the PANR shares is greater than the amount of our outstanding debt.

"Looking forward, the improved energy price environment, coupled with our continued commitment to cost discipline and optimizing margins, is setting Otto up strongly for FY 2022. We will remain disciplined, both fiscally and technically, in the execution of Pillars 1, 2 and 3. This discipline will enable us to pursue balancing value capture from our existing assets while evaluating additional growth potential".

This release is approved by the Board of Otto.

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OTTO AT A GLANCE

Otto is an ASX-listed oil and gas exploration and production company focused on the Gulf of Mexico region. Otto currently has oil production from its SM 71 and GC 21 fields in the Gulf of Mexico and gas/condensate production from its Lightning asset in onshore Matagorda County, Texas. Cashflow from its producing assets underpins its strategy and financial stability.

DIRECTORS
Michael Utsler – Chairman & CEO
John Jetter – Non-Executive
Geoff Page – Non-Executive
Paul Senycia - Non-Executive

CHIEF FINANCIAL OFFICER
Sergio Castro

COMPANY SECRETARY
Kaitlin Smith (AE Administrative Services)

ASX Code: OEL

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Definitions

- "$m" means USD millions of dollars
- "bbl" means barrel
- "bbls" means barrels
- "bopd" means barrels of oil per day
- "Mbbl" means thousand barrels
- "Mscf" means 1000 standard cubic feet
- "NGLs" means natural gas liquids
- "ORRI" means overriding royalty interest
- "Mboe" means thousand barrels of oil equivalent ("boe") with a boe determined using a ratio of 6,000 cubic feet of natural gas to one barrel of oil – 6:1 conversion ratio is based on an energy equivalency conversion method and does not represent value equivalency
- "MMscf" means million standard cubic feet
- "MMboe" means million barrels of oil equivalent ("boe") with a boe determined using a ratio of 6,000 cubic feet of natural gas to one barrel of oil – 6:1 conversion ratio is based on an energy equivalency conversion method and does not represent value equivalency
- "MMbtu" means million British thermal units

Appendix 1 - Reconciliation of non-IFRS financial information

Where indicated, this announcement also contains some non-IFRS financial information, including in the FY2021 Highlights. Below is a reconciliation of non-IFRS financial information to audited IFRS financial information. Adjusted EBITDAX (earnings before interest, tax, depreciation, depletion, exploration, evaluation, impairment and unrealized gain (loss) on derivatives), Adjusted EBITDA (earnings before interest, tax, depreciation, depletion, impairment and unrealized gain (loss) on derivatives) and Adjusted EBIT (earnings before interest, tax, impairment and unrealized gain (loss) on derivatives) are non IFRS measures that are presented to provide investors with further information and perspective on the overall financial performance and operations of the Company. The non-IFRS financial information is unaudited, however the numbers have been extracted from the audited financial statements. The audited Financial Report accompanies this summary release and is available on the Otto Energy website at www.ottoenergy.com. Please refer to the audited financial statements for the IFRS financial information.

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	US$(000)		$/Boe	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
Operating revenue, net of royalties	30,137	23,028	27.23	24.33
Gathering and production charges (opex)	(4,624)	(3,738)	(4.18)	(3.95)
Cash Operating Gross Profit	**25,513**	**19,290**	**23.05**	**20.38**
Realized gain (loss) on derivatives	(640)	1,797	(0.58)	1.90
Profit on disposal of subsidiary/property	7,971	(3)	7.20	(0.00)
Net admin costs (G&A) *	(3,572)	(4,238)	(3.23)	(4.48)
New ventures and business development costs	(361)	(391)	(0.33)	(0.41)
Other income	203	244	0.18	0.26
Adjusted EBITDAX	**29,114**	**16,699**	**26.31**	**17.64**
Exploration expenditures	(2,676)	(13,067)	(2.42)	(13.81)
Adjusted EBITDA	**26,438**	**3,632**	**23.89**	**3.84**
Amortisation of capitalised developments	(5,574)	(6,564)	(5.04)	(6.94)
Depreciation - admin	(254)	(206)	(0.23)	(0.22)
Adjusted EBIT	**20,610**	**(3,138)**	**18.62**	**(3.32)**
Finance income/(costs)	(2,720)	(2,392)	(2.46)	(2.53)
Adjusted Net Income (Loss) before tax	**17,890**	**(5,530)**	**16.17**	**(5.84)**
Unrealized gain (loss) on derivatives	(9,673)	4,174	(8.74)	4.41
Impairment expense	(12,850)	-	(11.61)	-
Net Income (Loss) before tax from continuing operations	**(4,633)**	**(1,356)**	**(4.19)**	**(1.43)**
Tax	(5)	(2)	(0.00)	(0.00)
Net loss after tax from continuing operations	**(4,638)**	**(1,358)**	**(4.19)**	**(1.43)**
* Net admin costs (G&A) includes:				
Employee benefits	(2,408)	(3,256)	(2.18)	(3.44)
Corporate costs	(1,177)	(1,097)	(1.06)	(1.16)
FX losses	13	115	0.01	0.12
Net admin costs (G&A)	**(3,572)**	**(4,238)**	**(3.23)**	**(4.48)**
Reconciliation of net cash outflow from operating activities				
Operating cash flows from operating activities before exploration	18,908	10,468	17.09	11.06
Payments for exploration and evaluation	(3,676)	(11,189)	(3.32)	(11.82)
Net cash outflow from operating activities	**15,232**	**(721)**	**13.76**	**(0.76)**

Otto Energy Limited

Financial Report

For the year ended 30 June 2021

FINANCIAL REPORT 2021

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Annual General Meeting

The Annual General Meeting of Otto Energy Limited will be held on 17 November 2021.

In light of the novel coronavirus outbreak, and for the health and well-being of our stockholders, employees and directors, this year's Annual General Meeting will be conducted as a virtual meeting, which will be held exclusively online via the Internet as a virtual web conference at http://www.ottoenergy.com on 17 November 2021 at 1pm AEST.

CORPORATE DIRECTORY

Directors	Mr Michael Utsler – Executive Chairman, Chief Executive Officer and Managing Director Mr John Jetter – Non-Executive Director Mr Geoff Page – Non-Executive Director Mr Paul Senycia – Non-Executive Director
Company Secretary	Ms Kaitlin Smith
Key Executives	Mr Michael Utsler – Executive Chairman, Chief Executive Officer and Managing Director Mr Will Armstrong – Vice President Exploration and New Ventures Mr Sergio Castro – Chief Financial Officer Mr Philip Trajanovich – Commercial and Land Manager
Principal registered office in Australia	Ground Floor 70 Hindmarsh Square Adelaide SA 5000 Tel: + 61 8 6467 8800 Fax: + 61 8 6467 8801
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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

DIRECTOR’S REPORT

For the year ended 30 June 2021

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 2021 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 Mr Geoff Page who was appointed 17 July 2020, Mr Michael Utsler who was appointed 11 September 2020 and Mr Kevin Small who resigned 30 April 2021.

Mr Michael Utsler
Executive Chairman, Chief Executive Officer and Managing Director
Appointed 11 September 2020
Mr Michael Utsler was appointed Managing Director and Chief Executive Officer on 11 September 2020 and Executive Chairman on 19 November 2020. Mr Utsler is an oil and gas executive with more than 40 years of experience in senior international oil and gas sector roles, including 15 years in the Gulf of Mexico and 5 years as Chief Operating Officer of Woodside in Australia. His career has encompassed senior executive, leadership and board roles with Amoco, BP, Woodside and New Fortress Energy. He holds a B.S. in Petroleum Engineering from the University of Oklahoma. Mr Utsler joined Oil Search Limited on 30 April 2021 as an Independent Non-Executive Director.

Mr John Jetter BLaw, BEcon, INSEAD
Director (Independent Non-Executive)
Appointed Non-Executive Director 10 December 2007; Appointed Non-Executive Chairman 25 November 2015; Retired as Chairman but remained as Non-Executive Director 21 November 2019; Re-appointed Non-Executive Chairman 1 April 2020; Appointed Executive Chairman 10 June 2020; Re-appointed Non-Executive Chairman 11 September 2020; Retired as Chairman but remained as Non-Executive Director 19 November 2020.
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 from April 2015 to December 2019. He is Chairman of the Remuneration and Nomination Committee and a member of the Audit and Risk Committee.

Mr Paul Senycia BSc (Hons), MAppSc
Director (Independent Non-Executive)
Appointed Executive Director 24 April 2018; Became Non-Executive Director 1 January 2019
Mr Paul Senycia is a 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 Audit and Risk Committee and Remuneration and Nomination Committee. Mr Senycia has not held any other directorships in the last three years.

Mr Kevin Small BSc Geophysical Engineering (Hons)
Director (Executive)
Appointed Executive Director 29 January 2019, resigned 30 April 2021
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. Mr Small 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. Mr Small has not held any other directorships in the last three years. Mr Small resigned as Executive Director on 30 April 2021 and remains with the Company as Chief Geophysicist.

Mr Geoff Page MBA, CPA, FCMA,FGIA
Director (Independent Non-Executive)
Appointed Non-Executive Director 17 July 2020
Mr Geoff Page is a finance professional with over 20 years of senior finance, accounting and management experience gained globally within a number of industries. He has over 10 years of board experience gained in several different firms. Mr Page is a member of CPA Australia, Fellow Member of the Chartered Institute of Management Accountants and a Fellow Member of the Governance Institute of Australia. Mr Page is Chairman of the Audit and Risk Committee and a member of the Remuneration and Nomination Committee.

Company Secretary

Ms Kaitlin Smith BCom (Acc), CA
Appointed 2 November 2019
Ms Smith provides Company Secretarial and Accounting services to various public and proprietary companies. She holds a Bachelor of Commerce (Accounting) and is a Chartered Accountant.

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	57,881,668	1,804,667
Mr P Senycia	8,691,134	2,769,000
Mr G Page	-	-
Mr M Utsler	5,000,000	-

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 2021.

Operating and Financial Review

During the year ended 30 June 2021, the Company's Green Canyon 21 "Bulleit" well commenced production on 15 October 2020. Otto also participated in drilling the final well in the Hilcorp exploration program, the Beluga well, which was drilled in October 2020 and ultimately plugged and abandoned after sub-commercial quantities of hydrocarbons were encountered.

On 20 January 2021, the Company successfully sold its Borealis Alaska LLC subsidiary to Pantheon Resources Plc for 14,272,592 shares in Pantheon stock (London Stock Exchange: PANR). As of 30 June 2021, these shares were valued at approximately US$8.2 million.

Financial Summary

Total loss after tax for the year ended 30 June 2021 was US$0.5 million after recognizing profit from discontinued operations of US$4.2 million on the reversal of the Foreign Currency Translation Reserve associated with the dissolution of Otto Energy Philippines Inc. in June 2021. Consolidated net loss after income tax from continuing operations for the year ended 30 June 2021 was US$4.6 million (2020: net loss of US$1.4 million). This increase in losses was primarily driven by a non-cash impairment charge on Green Canyon 21 (US$12.85 million) and non-cash losses on derivative financial instruments (US$9.67 million), partially offset by higher sales revenues, a profit on disposal of assets, lower exploration expenditures, and lower administrative costs. Excluding the non-cash effects of impairment charges (US$12.85million), profit from discontinued operations (US$4.2 million) and the unrealized derivatives losses (US$9.67 million), the Company would have realized net income before tax of US$17.9 million for the current year, compared to net loss before tax of US$5.4 million for the previous year after excluding unrealized gains on derivatives (US$4.0 million), an improvement of 430%.

Net revenue for the current year was US$30.1 million (2020: US$23.0 million), a 31% increase from FY 2020 due to higher production as a result of Green #2 producing for an entire year during FY 2021 and higher crude oil, natural gas and NGL prices. This generated an operating gross profit of US$19.9 million (2020: US$12.7 million), an increase of 57%, as costs of production remained relatively equal to prior year.

Profit on disposal of assets was approximately US$8.0 million as a result of the Company's sale of its subsidiary, Borealis Alaska LLC to Pantheon Resources Plc.

Loss on derivative financial instruments was US$10.3 million for the current year (2020: gain of US$6.0 million). Of this amount, US$9.7 million was unrealized (2020: unrealized gain on derivative US$4.0 million) as a result of the mark-to-market value of expected higher future crude oil prices.

Impairment charges for the current year were US$12.85 million (2020: nil), as a result of cost overruns and lower than expected performance on the Bulleit well at Green Canyon 21 (GC 21) since beginning production in October 2020.

The Company incurred lower exploration expenditures during the current year of US$2.7 million (2020: US$13.1 million), as well as lower administrative costs during the current year of US$4.2 million (2020: US$4.8 million), for a total decrease of US$11.0 million, or 61%. While the majority of the decrease is attributable to less drilling expenditures during the current year (only drilling the Hilcorp-operated Beluga well), the remaining decrease reflects the corporate cost cutting initiatives, including a 40% reduction in key management personnel compensation (see Note 24).

Finance costs, including amortisation of borrowing costs, totalled US$2.7 million for the current year (2020: US$2.4 million), which include interest and commitment fees on the Macquarie debt facility.

The Group will continue to assess the impact of Covid-19 on existing projects and operations. The duration and spread of the pandemic and regulations imposed by governments continue to be closely monitored to determine any future impact on the Group.

Production and Development

Reserves Statement as at 30 June 2021

On 9 September 2021 the Company released its statement of reserves and resources as at 30 June 2021 which included Otto's offshore leases at South Marsh 71 ("SM 71") and Green Canyon 21 ("GC 21"), and its Lightning Field lease in Matagorda County, TX. The prospective resources cover SM 71. The summary statement of reserves and prospective resources as at 30 June 2021 and changes to reserves and resources since 30 June 2020 is set out below. Full details including the reconciliations and notes on the statements are included in the ASX release of 9 September 2021.

Proved reserves totalled approximately 4.1 MMboe, compared to 4.8 MMboe as of 30 June 2020. This decrease is predominantly due to production at the Company's Lightning and SM 71 fields, partially offset by the reclassification of SM 71 reserves from Probable to Proved as a result of its advanced production profile.

Proved plus Probable reserves totaled approximately 6.5 MMboe as a result of an additional well at Lightning (Green #4), plus an additional 2.4 MMboe of probable reserves on existing assets. This compares to 8.1 MMboe as of 30 June 2020, a decrease attributable to the reclassification of SM 71 reserves from Probable to Proved and the write-down of MP Sand reserves at GC 21.

Proved plus Probable plus Possible reserves totaled approximately 8.4 MMboe as a result of an additional well at Lightning (Green #5), plus an additional 1.9 MMboe of possible reserves on existing assets. This compares to 11.7 MMboe as of 30 June 2020, a decrease attributable to revisions at Lightning, the write-down of MP Sand reserves at GC 21, and the reclassification of some SM 71 Possible reserves to Contingent and Prospective resources.

Contingent and Prospective resources totaled approximately 2.1 MMboe as a result of additional resources at SM 71 and Lightning. This compares to 58.3 MMboe at 30 June 2020, a decrease attributable to excluding Beluga as this well was drilled during the fiscal year and subsequently plugged and abandoned, and also excluding Tarpon and Mallard as these prospects will no longer be drilled. Another reason for the decrease is the removal of the Company's interest in the Talitha Unit in Alaska which was sold to Pantheon Resources Plc for 14,272,592 shares in Pantheon (PANR) in January 2021. This decrease in Contingent and Prospective resources was partially offset by the reclassification of some SM 71 Possible reserves to Contingent and Prospective resources.

Total	Gross (100%)			Net		
	Oil (MbbL)	Gas (MMcf)	Mboe	Oil (MbbL)	Gas (MMcf)	Mboe
Proved Producing	3,196	17,814	6,166	1,231	5,297	2,114
Proved Behind Pipe	4,595	9,193	6,127	779	2,306	1,162
Proved Undeveloped	452	15,060	2,962	129	4,302	846
Proved (1P)	**8,243**	**42,067**	**15,255**	**2,139**	**11,905**	**4,122**
Probable	4,935	29,631	9,873	982	8,235	2,355
Proved Plus Probable (2P)	**13,178**	**71,698**	**25,128**	**3,121**	**20,140**	**6,477**
Possible	2,584	27,507	7,168	665	7,838	1,971
Proved Plus Probable Plus Possible (3P)	**15,762**	**99,205**	**32,296**	**3,786**	**27,978**	**8,448**
Total Prospective Resource (best estimate, unrisked)	3,250	24,300	7,300	930	6,930	2,085

Changes to reserves and resources since 30 June 2020

	Otto Energy Limited Grand Total - Reserve Reconciliation (Otto Energy NRI Share)											
	Oil (Mbbl)				Gas (MMCF)				MBOE			
	Remaining 6/30/2020	Production 2020	Additions & Revisions	Remaining 6/30/2021	Remaining 6/30/2020	Production 2020	Additions & Revisions	Remaining 6/30/2021	Remaining 6/30/2020	Production 2020	Additions & Revisions	Remaining 6/30/2021
Proved (1P)	2,382	438	196	2,140	14,625	2,411	(308)	11,905	4,820	840	145	4,122
Probable	1,719	0	(737)	982	9,088	0	(853)	8,235	3,234		(879)	2,355
Proved+Probable (2P)	4,102	438	(541)	3,122	23,712	2,411	(1,161)	20,140	8,054	840	(735)	6,477
Possible	1,807	0	(1,142)	665	11,142		(3,304)	7,838	3,664		(1,692)	1,971
Proved+Probable+ Possible (3P)	5,908	438	(1,683)	3,787	34,854	2,411	(4,465)	27,978	11,717	840	(2,427)	8,448

Production and Revenue Summary

The table below sets forth production and revenue information associated with Otto's sales of natural gas, oil and natural gas liquids ("NGLs") from its three producing fields at SM71, Lightning and GC 21 for the year ended 30 June 2021. One barrel of oil, condensate or NGL is the energy equivalent of six Mcf of natural gas.

Production Volumes and Sales Revenue WI Share (before royalties) (USD)	30-Jun-21	31-Mar-21	31-Dec-20	30-Sep-20
Crude oil (barrels)				
South Marsh 71	112,232	113,496	110,393	109,215
Lightning Field	18,437	21,410	22,962	20,607
Green Canyon 21	1,916	1,425	5,403	n/a
Total oil production	132,585	136,331	138,758	129,822
Total oil sales revenue ($'million)	$ 8.3	$ 7.4	$ 5.4	$ 4.8
Avg oil price ($/Bbl) - pre-hedges	$ 62.88	$ 54.52	$ 38.93	$ 37.12
Avg oil price ($/Bbl) - post-hedges	$ 54.14	$ 50.41	$ 42.03	$ 42.12
Natural gas (thousand cubic feet)				
South Marsh 71	94,085	79,715	83,515	57,922
Lightning Field	563,559	621,573	693,344	670,035
Green Canyon 21	7,416	16,436	23,374	n/a
Total gas production	665,060	717,724	800,233	727,957
Gas revenue ($millions)	$ 2.0	$ 6.6	$ 2.1	$ 1.5
Avg gas price ($/Mmbtu)	$ 3.00	$ 9.03	$ 2.64	$ 1.99
Natural gas liquids (barrels)				
South Marsh 71	-	-	-	-
Lightning Field	19,581	22,313	24,090	16,301
Green Canyon 21	347	558	851	n/a
Total NGL production	19,929	22,871	24,941	16,301
NGL revenue ($millions)	$ 0.4	$ 0.5	$ 0.3	$ 0.2
Avg NGL price ($/Bbl)	$ 20.78	$ 21.07	$ 11.68	$ 14.45
Total (barrels of oil equivalent)				
South Marsh 71	127,913	126,782	124,312	118,869
Lightning Field	131,945	147,319	162,609	148,581
Green Canyon 21	3,500	4,722	10,150	n/a
Total production (Boe)	263,357	278,823	297,071	267,449
Total daily production (Boe/d)	2,894	3,098	3,229	2,907
Percent liquids (%)	58%	57%	55%	55%
Total revenue ($'million)	$ 10.8	$ 14.5	$ 7.8	$ 6.6
Avg WA price ($/Boe) - pre-hedges	$ 41.00	$ 52.06	$ 26.40	$ 24.59
Avg WA price ($/Boe) - post-hedges	$ 36.60	$ 50.05	$ 27.85	$ 27.01

Notes

1. Otto sells its high-quality crude produced at SM 71 at Louisiana Light Sweet crude ("LLS") crude pricing which is a premium to West Texas Intermediate ("WTI") pricing. Deductions are applied for transportation, gravity, and pipeline loss allowances.
2. GC 21 crude is a medium sour grade and sells against the Bonito Sour crude marker. Deductions are applied for transportation, gravity, and pipeline loss allowances.
3. Lightning crude sells against the WTI Houston crude marker. Deductions are applied for transportation and gravity.
4. On average, 1 Mscf = 1.10 MMbtu for SM 71 raw gas production. The thermal content of SM 71 gas may vary over time.
5. On average, 1 Mscf = 1.25 MMbtu for GC 21 raw gas production. The thermal content of GC 21 gas may vary over time.
6. On average, 1 Mscf = 1.10 MMbtu for Lightning raw gas production. The thermal content of Lightning gas may vary over time.

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") in the Gulf of Mexico, with Byron Energy Limited (Byron) the operator, holding an equivalent WI and NRI. Water depth in the area is approximately 137 feet.

The F1 and F3 wells began producing in March 2018 from the primary D5 Sand reservoir, while the F2 well began production in April 2018 from the B55 Sand. In March 2020, the joint venture spudded the F5 well and announced a potential discovery on 23 March 2020. Due to increased uncertainty of continuing operations related to the impact of COVID-19 on operations, the SM71 F5 wellbore was temporarily abandoned in a manner that allows it to be efficiently sidetracked in the future. Recompletion potential for the F2 well and re-entry potential for the F5 are being targeted for CY 2022, consistent with our current planning and budget.

The SM 71 lease ranks number three of all Gulf of Mexico active oil producing leases on the US Gulf of Mexico shelf, with the SM71 F3 and F1 ranked as the number one and number two active oil producing wells.

Base production from SM 71 continues to produce at or above expectations. The following tables set forth certain information with respect to SM71 production and sales for the twelve months ended 30 June 2021, and reserves as of 30 June 2021:

SM 71 Production Volumes		30-Jun-21	31-Mar-21	31-Dec-20	30-Sep-20
WI	Oil (bbls)	112,232	113,496	110,393	109,215
	Gas (Mscf)	94,085	79,715	83,515	57,922
	Total (Boe)	127,913	126,782	124,312	118,869
	Total (Boepd)	1,406	1,409	1,351	1,292
NRI	Oil (bbls)	91,189	92,216	89,694	88,737
	Gas (Mscf)	76,444	64,769	67,856	47,062
	Total (Boe)	103,930	103,011	101,003	96,581
	Total (Boepd)	1,142	1,145	1,098	1,050

SM 71 Sales Revenue		30-Jun-21	31-Mar-21	31-Dec-20	30-Sep-20
WI	Oil - $million	$ 7.0	$ 6.2	$ 4.3	$ 4.0
	Oil - $ per bbl	$ 62.81	$ 54.31	$ 38.75	$ 36.94
	Gas - $million	$ 0.3	$ 0.3	$ 0.2	$ 0.1
	Gas – $ per MMbtu	$ 3.29	$ 2.77	$ 2.45	$ 2.10
	Total – US$million	$ 7.4	$ 6.5	$ 4.5	$ 4.2
NRI	Total – US$million	$ 6.0	$ 5.2	$ 3.7	$ 3.4

SM71	Gross (100%)			Net (40.625%)		
	Oil (MbbL)	Gas (MMcf)	Mboe	Oil (MbbL)	Gas (MMcf)	Mboe
Proved Producing	2,685	1,924	3,006	1,091	782	1,221
Proved Behind Pipe	496	292	545	202	119	221
Proved Undeveloped	-	-	-	-	-	-
Proved (1P)	**3,181**	**2,216**	**3,551**	**1,293**	**901**	**1,442**
Probable	734	656	843	298	267	343
Proved Plus Probable (2P)	**3,915**	**2,872**	**4,394**	**1,591**	**1,168**	**1,785**
Possible	734	637	840	298	259	341
Proved Plus Probable Plus Possible (3P)	**4,649**	**3,509**	**5,234**	**1,889**	**1,427**	**2,126**
Total Prospective Resource (best estimate, unrisked)	2,650	4,300	3,370	760	1,220	963

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

Otto owns a 37.5% WI and a 28.2% NRI in the Lightning Field in Matagorda County, Texas, with Hilcorp Energy Limited (Hilcorp) the operator, holding the remaining interest. Otto earned its 37.5% working interest in this field by paying 50.0% of the cost of drilling the initial Green #1 well.

The first well in this field, the Green #1, commenced production in June 2019, while the second well, the Green #2, commenced production in February 2020.

Reinterpretation of the 3D seismic by the operator confirms that there are multiple levels of hydrocarbon pay in the Lightning field. While production is currently from the upper Tex Miss 1 zone, the lower Tex Miss 2/3 zone was tested in both wells while they were being drilled. The Tex Miss 2/3 zone appears to be aerially significantly larger and potentially thicker than the Tex Miss 1. In both tests, production from the Tex Miss 2/3 zone has indicated that the zone has lower permeability than the Tex Miss 1 and has not been able to establish steady production. It is planned that a future well will be designed to test the ability to stimulate the Tex Miss 2/3 zone and unlock the significant upside potential. Resource progression is currently targeted for CY 2022, consistent with our current planning and budget. Seismic data and mapping are on-going to develop specific well proposals for Green #3 and #4.

Base production from Lightning continues to produce at or above expectations. The following tables set forth certain information with respect to Lightning production and sales for the twelve months ended 30 June 2021, and reserves as of 30 June 2021:

Lightning Volumes		30-Jun-21	31-Mar-21	31-Dec-20	30-Sep-20
WI	Oil (bbls)	18,437	21,410	22,962	20,607
	Gas (Mscf)	563,559	621,573	693,344	670,035
	NGLs (bbls)	19,581	22,313	24,090	16,301
	Total (Boe)	131,945	147,319	162,609	148,581
	Total (Boepd)	1,450	1,637	1,767	1,615
NRI	Oil (bbls)	13,871	16,108	17,276	15,504
	Gas (Mscf)	424,002	467,651	521,648	504,112
	NGLs (bbls)	14,732	16,788	18,124	12,264
	Total (Boe)	99,271	110,838	122,341	111,787
	Total (Boepd)	1,091	1,232	1,330	1,215

Lightning Sales Revenue		30-Jun-21	31-Mar-21	31-Dec-20	30-Sep-20
WI	Oil - $million	$ 1.2	$ 1.2	$ 0.9	$ 0.8
	Oil - $ per bbl	$ 63.25	$ 55.74	$ 39.55	$ 38.03
	Gas - $million	$ 1.7	$ 6.2	$ 1.9	$ 1.4
	Gas – $ per MMbtu	$ 2.96	$ 10.01	$ 2.67	$ 1.98
	NGLs - $million	$ 0.4	$ 0.5	$ 0.3	$ 0.2
	NGLs – $ per bbl	$ 20.75	$ 21.10	$ 11.76	$ 14.45
	Total – US$million	$ 3.3	$ 7.9	$ 3.1	$ 2.4
NRI	Total – US$million	$ 2.4	$ 5.9	$ 2.3	$ 1.8

Lightning	Gross (100%)			Net (28.214%)		
	Oil (MbbL)	Gas (MMcf)	Mboe	Oil (MbbL)	Gas (MMcf)	Mboe
Proved Producing	472	15,730	3,094	135	4,494	884
Proved Behind Pipe	197	6,560	1,290	56	1,874	368
Proved Undeveloped	452	15,060	2,962	129	4,302	846
Proved (1P)	**1,121**	**37,350**	**7,346**	**320**	**10,670**	**2,098**
Probable	808	26,939	5,298	231	7,696	1,514
Proved Plus Probable (2P)	**1,929**	**64,289**	**12,644**	**551**	**18,366**	**3,612**
Possible	787	26,232	5,159	225	7,494	1,474
Proved Plus Probable Plus Possible (3P)	**2,716**	**90,521**	**17,803**	**776**	**25,860**	**5,086**
Total Prospective Resource (best estimate, unrisked)	600	20,000	3,930	170	5,710	1,122

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

Otto owns a 16.67% WI and a 13.34% NRI in Green Canyon 21 (GC-21) in the Gulf of Mexico, with Talos Energy (Talos) as operator. Otto earned its 16.67% working interest in GC-21 by paying 22.22% of the cost of drilling the "Bulleit" appraisal well.

The "Bulleit" appraisal well located at GC 21 commenced production from the deeper MP sands on 15 October 2020 after experiencing multiple weather delays in reaching stabilized production rates. These rates were less than what the collected rock property data and analogue reservoirs would suggest. A technical assessment of the MP Sand production performance was completed. Detailed bottomhole pressure and reservoir performance data collected after hook-up and first production indicate a smaller reservoir than originally anticipated. While additional technical work is ongoing, the currently favoured path forward is to move away from the MP Sand and execute a recompletion of the well in the shallower DTR-10 Sand.

A DTR-10 recompletion will require the procurement of long lead items from manufacturers, which are expected to cost approximately US$3.5 million (US$0.6 million, net to Otto) with payment expected for such items in Q3 CY 2021. Due to deepwater rig availability, weather, timing and long lead items, the recompletion is expected to begin in mid CY 2022, at an estimated remaining cost (after long lead items) of approximately US$28.5 million (US$4.75 million, net to Otto), with production immediately following in mid to late CY 2022. These costs are expected to be paid out of existing free cash flow.

While full-cycle economics have been eroded, it is estimated that point-forward economics for the recompletion are highly positive and strongly value accretive. The following tables set forth certain information with respect to GC 21 production and sales for the twelve months ended 30 June 2021, and reserves as of 30 June 2021:

GC 21 Production Volumes		30-Jun-21	31-Mar-21	31-Dec-20	30-Sep-20
WI	Oil (bbls)	1,916	1,425	5,403	n/a
	Gas (Mscf)	7,416	16,436	23,374	n/a
	NGLs (bbls)	347	558	851	n/a
	Total (Boe)	3,500	4,722	10,150	n/a
	Total (Boepd)	38	52	110	n/a
NRI	Oil (bbls)	1,533	1,140	4,323	n/a
	Gas (Mscf)	5,932	13,149	18,699	n/a
	NGLs (bbls)	278	446	680	n/a
	Total (Boe)	2,800	3,778	8,120	n/a
	Total (Boepd)	31	42	88	n/a

GC 21 Sales Revenue		30-Jun-21	31-Mar-21	31-Dec-20	30-Sep-20
WI	Oil - $million	$ 0.12	$ 0.08	$ 0.22	n/a
	Oil - $ per bbl	$ 63.57	$ 52.83	$ 40.09	n/a
	Gas - $million	$ 0.02	$ 0.05	$ 0.06	n/a
	Gas – $ per MMbtu	$ 2.31	$ 2.77	$ 2.83	n/a
	NGLs - $million	$ 0.01	$ 0.01	$ 0.01	n/a
	NGLs – $ per bbl	$ 22.14	$ 19.90	$ 9.60	n/a
	Total – US$million	$ 0.15	$ 0.14	$ 0.29	n/a
NRI	Total – US$million	$ 0.12	$ 0.11	$ 0.22	n/a

Green Canyon 21	Gross (100%)			Net (13.336%)		
	Oil (MbbL)	Gas (MMcf)	Mboe	Oil (MbbL)	Gas (MMcf)	Mboe
Proved Producing	39	160	66	5	21	9
Proved Behind Pipe	3,902	2,341	4,292	521	313	573
Proved Undeveloped	-	-	-	-	-	-
Proved (1P)	**3,941**	**2,501**	**4,358**	**526**	**334**	**582**
Probable	3,393	2,036	3,732	453	272	498
Proved Plus Probable (2P)	**7,334**	**4,537**	**8,090**	**979**	**606**	**1,080**
Possible	1,063	638	1,169	142	85	156
Proved Plus Probable Plus Possible (3P)	**8,397**	**5,175**	**9,259**	**1,121**	**691**	**1,236**
Total Prospective Resource (best estimate, unrisked)	-	-	-	-	-	-

Exploration and Appraisal

Gulf Coast Package - Hilcorp

In October 2020, the Company and Hilcorp mutually agreed to remove all remaining prospects from the eight-well Gulf Coast exploration package due to current market conditions, except for Beluga. The Beluga #1 well was spud in October 2020 and was drilled to approximately 13,800 ft MD to the base of the target formation. Wireline logs were run in the well and evaluated, and it was determined that sub-commercial quantities of hydrocarbons were encountered. The well was therefore plugged and abandoned. The well was drilled for approximately US$1.8 million, net to Otto, which was below AFE estimated costs and in fewer days than planned.

This well concludes the Hilcorp Package 1 program, with no additional drilling required under this agreement.

Alaska North Slope (Central Blocks)

On 20 January 2021, the Company announced that it had sold its subsidiary, Borealis Alaska LLC (Borealis) which holds a 10.8% interest in the 44,463-acre Talitha Unit in Alaska, to Pantheon. Under the terms of the sale, Otto received 14,272,592 shares in Pantheon Resources Plc (London Stock Exchange: PANR) in exchange for Borealis Alaska LLC. The shares were subject to a lock up period through 30 June 2021.

On 29 March 2021, the Company announced that the sale of Borealis had been completed, following approval by the Alaskan Department of Natural Resources. In addition to the shares, Otto also maintains an existing 0.5% of 8/8ths overriding royalty interest (ORRI) in any future production from the Talitha Unit.

On 19 April 2021, Pantheon announced that operations at the Talitha #A well had concluded for the season.

As of 30 June 2021, these shares were valued at approximately US$8.2 million.

Corporate and Administration

Executive Changes

In September 2020, the Company announced that Mr Michael J. Utsler had been hired as the Company's new Chief Executive Officer and Managing Director.

Related Parties

Effective 1 April 2020, the Board of Directors engaged Mr John Jetter to serve as a consultant to the Company, to perform any services required by the Company. Under the terms of the consultancy agreement, Mr Jetter is to consult for a maximum of three days per week at a rate of AUD$2,500 per day. For the fiscal year ended 30 June 2021, Mr Jetter earned AUD$62,500 under this consultancy agreement. This consultancy agreement ceased in September 2020 on the appointment of Mr Utsler as Chief Executive Officer and Managing Director

Commodity Price Risk Management

Otto derives its revenue from the sale of oil and natural gas. As a result, the Company's revenues are determined, to a large degree, by prevailing oil and natural gas prices. Otto sells its production to purchasers pursuant to sales agreements, with sales prices tied to industry standard published index prices, subject to negotiated price adjustments.

Otto typically utilizes commodity price hedge instruments to minimize exposure to short term price fluctuations by using a series of swaps, costless collars and/or puts. Unrealized gains or losses associated with hedges vary period to period, and are a function of hedges in place, the strike prices of those hedges and the forward curve pricing for the commodities being hedged. Currently, all of Otto's hedges are swaps, and the Company has no three-way collars or short puts.

As of 30 June 2021, Otto had a crude oil hedge book of 249,889 barrels of oil hedged through September 2022 via swaps, at a weighted average LLS price of US$50.19 as follows:

Months	Volume (Bbls)	Weighted Avg Price (LLS)
July - December 2021	122,650	US$50.47
January - September 2022	127,239	US$49.92

Additionally, the Company had a natural gas hedge book of 180,143 Mmbtu of natural gas hedged through December 2021 via swaps, at a weighted average Houston Ship Channel price of US$3.11 as follows:

Months	Volume (Mmbtu)	Weighted Avg Price (HSC)
July - December 2021	180,143	US$3.11

For the fiscal year ended 30 June 2021, the Company recorded a loss on hedging of approximately US$10.3 million as a result of these hedges.

Strategy

Otto has a clear strategy to deliver shareholder value through building a strong production and financial base of assets, optimizing the portfolio through disciplined investments in exploration and development and driving effective cost management. These efforts are resulting in a strengthening of its balance sheet and creating a robust financial capacity from which to build value.

Otto holds attractive exploration and appraisal assets in the prolific petroleum provinces of the onshore and offshore Gulf of Mexico. The Company's exploration portfolio has led to discovering two of the top twelve largest Gulf of Mexico Shelf and Gulf coast Onshore fields based on resources found over the past few years. Otto continues to leverage access to high quality exploration potential in the Gulf of Mexico through its access and use of technology and experience.

Key Risks

The key areas of risk, uncertainty and material issues that could affect the achievement of Otto's 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 Otto currently has 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 has insurance cover for a number of these risks where it is appropriate and commercially justifiable to do so. For example, 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. 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 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.

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.

Liquidity and Debt

Otto's cash on hand at 30 June 2021 was approximately US$11.1 million (including US$5.4 million of restricted cash in a Macquarie debt service reserve account). On 4 November 2019 the Company announced it had entered into a three-year senior secured US$55 million term debt facility (Debt Facility) with Macquarie Bank Limited (Macquarie). The initial commitment under the Debt Facility was US$35 million with an additional US$20 million subject to further credit approval from Macquarie. Key Terms of the Facility include:

- US$25 million available immediately under Tranche A1. As of 30 June 2021, the Company had drawn the US$25 million available under this tranche, and had repaid US$13.5 million, resulting in an ending debt balance of US$11.5 million. Repaid amounts are not available to be re-borrowed;
- Additional US$10 million available under Tranche A2;
- Interest rate of LIBOR plus 8.0% per annum;
- Matures in November 2022 (36 months from initial drawdown);
- Quarterly principal repayments commenced 31 March 2020;
- Senior secured non-revolving facility with security over US based assets; and
- The Facility may be paid off early without penalty.

On 21 January 2021, the Company announced that the Debt Facility had been amended to extend the expiration date of Tranche A2 out until 31 March 2022, to establish the timing for a GC 21 mitigation plan, and to establish a minimum quarterly average production requirement of 1,900 boepd until the GC 21 mitigation is completed (WI volume).

The Company was in compliance with all of its financial covenants throughout the year.

Option Issue

In addition to customary upfront fees payable to Macquarie, the Company issued to Macquarie 42.5 million options to subscribe for fully paid ordinary shares in the Company at an exercise price of A$0.08 to access Tranche A1 (November 2019). A further 42.5 million options will be issued on initial draw of Tranche A2 and will expire four years after issue date.

Significant changes in the state of affairs

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

- On 11 September 2020, the Company announced the appointment of new Chief Executive Officer and Managing Director, Mr Michael Utsler. Mr Utsler is an oil and gas executive with more than 40 years of experience in senior international oil and gas sector roles.
- On 15 October 2020, the "Bulleit" well at GC 21 began producing from the MP reservoir.
- In October 2020, the Company and Hilcorp mutually agreed to remove all remaining prospects from the eight-well Gulf Coast exploration package due to current market conditions, except for Beluga.
- In October 2020, the Beluga #1 well was spud and drilled to approximately 13,800 ft MD to the base of the target formation. Sub-commercial quantities of hydrocarbons were encountered, and the well was therefore plugged and abandoned. This well concludes the Hilcorp Package one program, with no additional drilling required under this agreement.
- On 20 January 2021, the Company announced that it had sold its subsidiary, Borealis Alaska LLC (Borealis) which holds a 10.8% interest in the 44,463-acre Talitha Unit in Alaska, to Pantheon Resources in exchange for 14,272,592 shares in Pantheon Resources Plc (London Stock Exchange: PANR).

Significant events after the balance date

No matters or circumstances have arisen since 30 June 2021 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:

- On 23 August 2021, the Company announced that the Debt Facility had been amended to remove all timing and production requirements associated with the "Bulleit" well at GC 21, and extended the minimum group quarterly production rate average (WI basis) of 1,900 BOEPD until 31 December 2021, and then reduces it to 1,400 BOEPD from 1 January 2022 until the maturity date (4 November 2022).

- On 27 August 2021, the Company announced that 30,000,000 options had been issued to Foster Stockbroking Pty Ltd pursuant to the terms of an Equity Capital Markets Advisory Agreement. Of these, 20,000,000 options have an exercise price of A$0.02 per option and 10,000,000 options have an exercise price of A$0.025 per option. All the options expire on 27 August 2024.

- *Reserves Statement*

  On 9 September 2021 the Company released its statement of reserves and prospective resources for SM 71, Lightning and Green Canyon 21 as at 30 June 2021. The reserves were compiled by Otto's independent consultant Ryder Scott Company. The summary statement of reserves and prospective resources as at 30 June 2021 and Changes to reserves and resources since 30 June 2020 is set out below. For full details refer to ASX release dated 9 September 2021.The individual statements for each field are included in the Production and Development section above.

Total	Gross (100%)			Net		
	Oil (MbbL)	Gas (MMcf)	Mboe	Oil (MbbL)	Gas (MMcf)	Mboe
Proved Producing	3,196	17,814	6,166	1,231	5,297	2,114
Proved Behind Pipe	4,595	9,193	6,127	779	2,306	1,162
Proved Undeveloped	452	15,060	2,962	129	4,302	846
Proved (1P)	**8,243**	**42,067**	**15,255**	**2,139**	**11,905**	**4,122**
Probable	4,935	29,631	9,873	982	8,235	2,355
Proved Plus Probable (2P)	**13,178**	**71,698**	**25,128**	**3,121**	**20,140**	**6,477**
Possible	2,584	27,507	7,168	665	7,838	1,971
Proved Plus Probable Plus Possible (3P)	**15,762**	**99,205**	**32,296**	**3,786**	**27,978**	**8,448**
Total Prospective Resource (best estimate, unrisked)	3,250	24,300	7,300	930	6,930	2,085

Changes to reserves and resources since 30 June 2020:

Otto Energy Limited Grand Total - Reserve Reconciliation (Otto Energy NRI Share)												
	Oil (Mbbl)				Gas (MMCF)				MBOE			
	Remaining 6/30/2020	Production 2020	Additions & Revisions	Remaining 6/30/2021	Remaining 6/30/2020	Production 2020	Additions & Revisions	Remaining 6/30/2021	Remaining 6/30/2020	Production 2020	Additions & Revisions	Remaining 6/30/2021
Proved (1P)	2,382	438	196	2,140	14,625	2,411	(308)	11,905	4,820	840	145	4,122
Probable	1,719	0	(737)	982	9,088	0	(853)	8,235	3,234		(879)	2,355
Proved+Probable (2P)	4,102	438	(541)	3,122	23,712	2,411	(1,161)	20,140	8,054	840	(735)	6,477
Possible	1,807	0	(1,142)	665	11,142		(3,304)	7,838	3,664		(1,692)	1,971
Proved+Probable+ Possible (3P)	5,908	438	(1,683)	3,787	34,854	2,411	(4,465)	27,978	11,717	840	(2,427)	8,448

The impact of the Coronavirus (Covid-19) pandemic is ongoing and its impact on the Group has been disclosed within the Directors Report. It is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly changing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Likely developments and expected results

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

- A recompletion of GC 21 in the shallower DTR-10 Sand
- Recompletion of the F2 well and re-entry of the temporarily abandoned F5 well at SM 71
- Possible participation in a Green #3 development well at the Lightning Field with Hilcorp

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 licenses. 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 (ARC)		Remuneration and nomination committee (RNC)	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Mr J Jetter	15	14	-	-	1	1
Mr M Utsler(i)	11	11	-	-	-	-
Mr P Senycia	15	15	3	3	1	1
Mr K Small(ii)	12	10	-	-	-	-
Mr G Page(iii)	14	14	3	3	1	1

(i) Mr M Utsler was appointed as Chief Executive Officer and Managing Director on 11 September 2020.

(ii) Mr K Small resigned as Executive Director on 30 April 2021

(iii) Mr G Page was appointed Non-Executive Director on 17 July 2020

Indemnification and insurance of Directors and officers

During the financial year, the Company paid a premium of approximately $146,000 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 willful 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:

	2021	**2020**
	US$	US$
Tax compliance services	13,433	15,017
Tax consulting and tax advice	6,970	31,114
	20,403	46,131

Auditor's independence declaration

The auditor's independence declaration is included on page 30 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 2021. This structure includes the share rights and option plans approved by the shareholders at the Company's Annual General Meeting on 19 November 2020. 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 2021 were generally the same as for 2020.

Key management personnel disclosed in this report are:

Directors

Mr John Jetter	Non-Executive Director, resigned as Non-Executive Chairman 19 November 2020
Mr Paul Senycia	Non-Executive Director
Mr Kevin Small	Executive Director and Chief Geophysicist; resigned as Executive Director 30 April 2021
Mr Geoff Page	Non-Executive Director, appointed 17 July 2020
Mr Michael Utsler	Executive Chairman, Chief Operating Office and Managing Director, appointed 11 September 2020; Executive Chairman 19 November 2020

Executives

Mr Will Armstrong	Vice President – Exploration and New Ventures
Mr Sergio Castro	Chief Financial Officer
Mr Philip Trajanovich	Senior Commercial Manager

Remuneration governance

Role of the Remuneration and Nomination Committee

The Remuneration and Nomination Committee's role is to review and recommend remuneration for key management personnel 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.

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 is currently comprised of three non-executive Directors.

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

Remuneration arrangements are determined in conjunction with the annual review of the performance of Directors, executives and employees of the 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. On 6 April 2020, the Company announced initiatives to reduce costs in its Houston office. Among those was a temporary 50% reduction in Director fees. Effective 1 April 2021, Director fees were reviewed again and permanently reestablished at approximately 85% of their original amount. 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.

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.

Directors' fees

The following fees have applied:

	From 1 May 2021 to 30 June 2021	**From 1 April 2020 to 30 April 2021**	**From 1 July 2019 to 31 March 2020**
Base fees			
Chair(i)	-	A$75,000	A$150,000
Non-executive Directors	A$75,000	A$45,000	A$90,000
Additional fees			
Audit and Risk Management Committee Chair	A$10,000	A$5,000	A$10,000
Remuneration Committee Chair	A$5,000	-	-

(i) Mr M Utsler was appointed as Executive Chairman on 19 November 2020, no Non-Executive Chair position held from 19 November 2020.

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 2021 is summarised below.

The remuneration structure in place for the year ended 30 June 2021 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 2020 or 2021 calendar year reviews.

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

The Board and Remuneration Committee have the discretion to grant annual short-term incentive (STI) awards to the CEO and other members of the executive team at a certain percentage of FAR. The Committee did not exercise its discretion to meet to discuss possible STI awards for the fiscal year ended 2021.

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 re-approved by shareholders at the 2020 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. 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. Once vested, the performance rights are automatically converted into shares. Performance rights are granted under the plan for no consideration.

No rights were issued for the year ended 30 June 2021.

On 15 November 2018 and 21 December 2018, the Company issued a total of 25,489,002 performance rights to executives and directors, based on a flat rate of 50% of FAR. These performance rights vest over a three-year period with a measurement date of 15 November, expire at the end of five years on 15 November 2023, and have a TSR hurdle of 15% per annum (based on a 90-day VWAP). On the 15 November 2019 and 15 November 2020 measurement dates, the TSR hurdle was not met and the performance rights will continue to exist and be tested at the next measurement date. Additionally, 7,456,000 performance rights lapsed upon cessation of employment during the fiscal year ended 30 June 2021. The number of remaining performance rights held by executives and directors as of 30 June 2021 is 9,137,000.

On 29 November 2017, the Company issued 14,187,000 performance rights to executives and directors, based on a flat rate of 33% of FAR. These performance rights vest over a three-year period, expire at the end of five years, and have a TSR hurdle of 10% per annum (based on 30-day VWAP). On the 29 November 2018 measurement date, 4,729,000 performance rights vested based on a TSR of 19.8%. On the 29 November 2019 and 29 November 2020 measurement dates, the TSR hurdle was not met and the performance rights will continue to exist and be tested at the next measurement date. Additionally, 4,134,000 performance rights lapsed upon cessation of employment during the fiscal year ended 30 June 2021, resulting in 2,788,667 performance rights held by executives and directors as of 30 June 2021.

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.

The Board exercised its discretion regarding the cap for the 2018 grants and issued a total of 32,668,000 performance rights of which 25,489,002 related to executives and directors, which amounted to 2.1% of the issued capital as 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 2020 Annual General Meeting

At its 2020 Annual General Meeting, the Company received approximately 96% of "yes" votes on its remuneration report for the 2020 financial year and the Company did not receive any specific feedback at the Annual General Meeting on its remuneration practices. All resolutions put to the meeting at the 2020 Annual General Meeting were carried on a poll.

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 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021
Net profit/(loss) after tax (US$'000)	(5,247)	(5,194)	(18,409)	(1,358)	(450)
Share price at year end (AUD)	0.025	0.064	0.054	0.007	0.008
Basic earnings/(loss) (US cents per share)	(0.44)	(0.37)	(0.95)	(0.05)	(0.01)
Return of capital (AU cents per share)	-	-	-	-	-
Total dividends (AU cents per share)	-	-	-	-	-

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 US staff and executives are formalised in service agreements. Each of these agreements provides for performance related conditions and details relating to remuneration are set out in the following table:

			Fixed remuneration					Variable remuneration		Total
	Year	Salary and fees $US	Other transactions $US[iii]	Annual & long service leave $US	Super-annuation $US	Other benefits [ii] $US	Termination benefits $US	Cash bonus[iv] $US	Performance rights [i] $US	$US
Directors										
Mr J Jetter[iii]	2021	46,520	44,610	-	-	-	-	-	4,279	95,409
	2020	81,326	55,268	-	-	-	-	-	10,470	147,064
Mr M Utsler[v]	2021	243,269	-	-	-	43,697	-	-	-	286,966
	2020	-	-	-	-	-	-	-	-	-
Mr G Page[vi]	2021	36,762	-	-	3,492	-	-	-	-	40,254
	2020	-	-	-	-	-	-	-	-	-
Mr P Senycia	2021	34,484	-	-	3,276	-	-	-	3,897	41,657
	2020	49,272	-	-	6,248	-	-	18,407	12,147	86,075
Mr K Small[vii]	2021	173,542	-	-	7,742	9,515	-	20,000	5,141	215,940
	2020	319,555	-	(3,211)	11,876	20,105	-	-	15,810	364,135
Mr M Allen[viii]	2021	-	-	-	-	-	-	-	-	-
	2020	360,000	-	64,444	16,833	244,691	-	-	37,975	723,943
Mr I Macliver[ix]	2021	-	-	-	-	-	-	-	-	-
	2020	24,466	-	-	2,324	-	-	-	(9,063)	17,727
Mr I Boserio[x]	2021	-	-	-	-	-	-	-	-	-
	2020	51,280	-	-	4,872	-	-	-	(8,083)	48,068
Total Director remuneration	2021	534,577	44,610	-	14,510	53,212	-	20,000	13,317	680,226
	2020	885,898	55,268	61,233	42,153	264,796	-	18,407	59,256	1,387,012

(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 16 to 28 and Note 24. Employee share plan costs are reversed for rights not vested where service criteria not met.

(ii) Reflects the value of allowances and non-monetary benefits (including health insurance and other US payroll deductions).

(iii) Mr J Jetter entered into an agreement with the Company dated 24 July 2020, effective 1 April 2020 for the provision of consultancy services at AUD$2,500 per day for a maximum of three days per week. Other transactions includes $A62,500 (2020:$A80,000) paid under this agreement to 30 June 2021.

(iv) Cash bonus' were paid in recognition of performance and salary reductions throughout the year at the discretion of the CEO

(v) Mr Utsler was appointed Chief Operating Office and Managing Director effective 11 September 2020.

(vi) Mr G Page was appointed Non-Executive Director 17 July 2020

(vii) Mr K Small resigned as Director in April 2021. 2021 remuneration disclosure includes remuneration from 1 July 2020 to 30 April 2021.

(viii) Mr Allen resigned as Managing Director and CEO on 10th June 2020 and remained with the Company as non-KMP until December 2020.
(ix) Mr I Macliver resigned as Non-executive Director 21 November 2019.
(x) Mr I Boserio resigned as Non-executive Director 1 April 2020.

		Fixed Remuneration					Variable Remuneration		Total
	Year	Salary and fees $US	Annual & long service leave $US	Super-annuation $US	Other benefits [iii] $US	Termination benefits $US	Cash bonus[iv] $US	Performance rights [i] $US	$US
Executives									
Mr S Castro[i]	2021	206,958	-	8,278	12,465		20,000	-	247,701
	2020	149,400	-	5,701	6,056	-	-	-	161,157
Mr W Armstrong[ii]	2021	210,984	-	9,239	23,244		20,000	8,536	272,003
	2020	306,988	(7,074)	9,686	21,837	-	-	24,016	355,453
Mr P Trajanovich[iii]	2021	203,662	-	1,170	11,376		20,000	(39,561)	196,647
	2020	289,842	(4,168)	9,788	32,044	-	-	17,309	344,816
Mr D Rich[v]	2021	-	-	-	-	-	-	-	-
	2020	76,126	(22,082)	7,873	934	-	31,444	(21,422)	72,874
Total executive remuneration	2021	621,604	-	18,687	47,085		60,000	(31,025)	716,351
	2020	822,356	(33,324)	33,048	60,871	-	31,444	19,904	934,299
Total	2021	1,156,182	-	33,198	100,296	-	80,000	(17,708)	1,396,577
	2020	1,708,254	27,909	75,201	325,667	-	49,852	79,160	2,266,043

(i) Mr S Castro was appointed Chief Financial Officer effective 9 December 2019
(ii) Mr W Armstrong was appointed VP, Exploration and New Ventures in July 2019
(iii) Mr P Trajanovich was appointed Senior Commercial Manager in July 2019, converted to consultant in September 2020 then reverted back to employee May 2021
(iv) Cash bonus' were paid in recognition of performance and salary reductions throughout the year at the discretion of the CEO
(v) Mr D Rich resigned as Chief Financial Officer and Company Secretary effective 1 November 2019

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)	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Directors						
Mr J Jetter	96%	93%	-	-	4%	7%
Mr P Senycia	91%	65%	-	21%	9%	14%
Mr M Utsler(ii)	100%	95%	-	-	-	5%
Mr G Page(iii)	100%	-	-	-	-	-
Mr K Small(iv)	89%	96%	9%	-	2%	4%
Mr M Allen(v)	-	95%	-	-	-	5%
Mr I Macliver(vi)	-	100%	-	-	-	-
Mr I Boserio(vii)	-	100%	-	-	-	-
Executives						
Mr S Castro	92%	100%	-	-	8%	-
Mr W Armstrong	90%	93%	-	-	7%	7%
Mr P Trajanovich	90%	95%	10%	-	-	5%
Mr D Rich(viii)	-	67%	-	33%	-	-

(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 M Utsler was appointed Chief Operating Office and Managing Director effective 11 September 2020.
(iii) Mr G Page was appointed Non-executive Director 17 July 2020
(iv) Mr K Small resigned as Director in April 2021. 2021 remuneration disclosure includes remuneration from 1 July 2020 to 30 April 2021
(v) Mr Allen resigned as Managing Director and CEO on 10th June 2020 and remained with the Company as a non-KMP until December 2020.
(vi) Mr I Macliver resigned as Non-executive Director 21 November 2019
(vii) Mr I Boserio resigned as Non-executive Director 1 April 2020
(viii) Mr D Rich resigned as Chief Financial Officer and Company Secretary effective 1 November 2019

Performance against key measures for LTI:

Metric	Target	Performance	Impact on Incentive Reward
STI	No STI awards set for the fiscal year ended 2021. (i)		
LTI	No vesting for the fiscal year ended 2021		
Performance rights issued 2018	15% 3 year TSR	TSR hurdle rate not met	Performance rights rolled over to next measurement date in November 2021
Performance rights issued 2017	10% 3 year TSR	TSR hurdle rate not met	Performance rights rolled over to next measurement date in November 2021

(i) A discretionary bonus was paid at discretion of CEO. Refer remuneration table

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, terms have been agreed and service agreements 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(ii)(iii) $US per annum	Termination benefit(iv)
Mr Michael Utsler Managing Director and Chief Executive Officer(i)	11 September 2020	$300,000	3 months base salary
Mr Sergio Castro(iii) *Chief Financial Officer*	9 December 2019	$260,000	3 months base salary
Mr W Armstrong(iii) *VP, Exploration and New Ventures*	1 August 2018	$240,000	3 months base salary
Mr P Trajanovich(iii) *Senior Commercial Manager*(vi)	1 August 2018	$240,000	3 months base salary

(i) Mr M Utsler was appointed Managing Director and Chief Executive Officer 11 September 2020
(ii) Executive contracts are reviewed annually by the Board and the Remuneration and Nomination Committee.
(iii) New executive agreements with reduced base salaries are effective 1 May 2021. Base salary above reflects employment agreements as at 30 June 2021.
(iv) Termination benefits are payable on early termination by the Company, other than for gross misconduct.

Share-based compensation

Otto Energy Limited has two forms of share-based compensation for key management personnel. They are performance rights and options.

Performance rights over equity instruments granted

Performance rights granted to 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 23. All rights expire on the earlier of their expiry date or termination of individual's employment. Performance rights granted carry no dividend or voting rights.

The value of rights included in remuneration for the year is calculated in accordance with Australian Accounting Standards. The assessed fair value at grant date of the performance rights is allocated equally over the period from grant date to vesting date and the amount is included in the remuneration tables. Where rights vest fully in the year 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. No performance rights were granted in 2021 financial year. The inputs into the fair value calculation of the rights granted and outstanding as at 30 June 2021 are set out in the following table

Year ended 30 June 2021 – TSR based performance rights

Measurement date	15 Nov 2019(i)	15 Nov 2020	15 Nov 2021	15 Nov 2019(i)	15 Nov 2020	15 Nov 2021	29 Nov 2019(i)	29 Nov 2020
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
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
KMP rights on issue at year end:	ʻ							
Mr J Jetter	-	-	-	372,000	372,000	372,000	344,333	344,334
Mr P Senycia	-	-	-	223,000	223,000	223,000	1,050,000	1,050,000
Mr M Utsler	-	-	-	-	-	-	-	-
Mr G Page	-	-	-	-	-	-	-	-
Mr W Armstrong	3,676,000	2,450,667	1,225,333	-	-	-	-	-
Mr P Trajanovich	-	-	-	-	-	-	-	-
Mr S Castro	-	-	-	-	-	-	-	-
KMP total rights on issue at year end	3,676,000	2,450,667	1,225,333	595,000	595,000	595,000	1,394,333	1,394,334
Share price at grant date – A$	0.04	0.04	0.04	0.05	0.05	0.05	0.04	0.04
Expected volatility	70%	70%	70%	70%	70%	70%	20%	20%
Expected dividend yield	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%
Fair value – A$	0.008	0.012	0.014	0.022	0.025	0.027	0.020	0.015
Total value – A$	29,408	29,408	17,155	13,090	14,875	16,065	27,887	20,915

(i) The measurement date was rolled forward to 29 November 2021 for the rights expiring on 29 November 2020 and 15 November 2021 for the rights expiring on 15 November 2020.

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.

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 2021 is set out below.

Key Management Personnel	Balance at start of year	Granted as compensation	Vested and exercised	Lapsed/ expired		Balance on resignation as KMP	Balance at end of year
Directors				Number	%		
Mr J Jetter	1,804,667	-	-	-	-		1,804,667
Mr P Senycia	2,769,000	-	-	-	-		2,769,000
Mr M Utsler(i)	-	-	-	-	-		-
Mr G Page(ii)	-	-	-	-	-		-
Mr K Small(iii)	4,840,000	-	-	-	-	4,840,000	-
	9,413,667	-	-	-		4,840,000	4,573,667
Executives	**Balance at start of year**	**Granted as compensation**	**Vested and exercised**	**Lapsed/ expired**		**Balance on resignation as KMP**	**Balance at end of year**
Mr S Castro	-	-	-	-	-		-
Mr P Trajanovich	4,982,000	-	-	(4,982,000)	100%		-
Mr W Armstrong	7,352,000	-	-	-	-		7,352,000
	12,334,000	-	-	(4,982,000)			7,352,000

(i) Mr M Utsler was appointed Managing Director and Chief Executive Officer 11 September 2020
(ii) Mr G Page was appointed Non-executive Director 17 July 2020
(iii) Mr K Small resigned as Director on 30 April 2021. No longer a KMP from 1 May 2021

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 to key management personnel 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	Purchased during the year	Received through conversion of performance rights during the year	Sold during the year	Balance on resignation as KMP	Balance at end of year
Directors						
Mr J Jetter	57,881,668	-	-	-		57,881,668
Mr M Utsler(i)	-	5,000,000	-	-		5,000,000
Mr P Senycia	8,691,134	-	-	-		8,691,134
Mr G Page(ii)	-	-	-	-		-
Mr K Small(iii)	49,486,383	-	-	-	49,486,383	
	116,059,185	5,000,000	-	-	49,486,383	71,572,802
Executives						
Mr W Armstrong	750,000	-	-	-		750,000
Mr S Castro	-	-	-	-		-
Mr P Trajanovich	758,000	-	-	-		758,000
	1,508,000	-	-	-	-	1,508,000
	117,567,185	5,000,000	-	-	49,486,383	73,080,802

(i) Mr M Utsler was appointed Managing Director and Chief Executive Officer 11 September 2020
(ii) Mr G Page was appointed Non-executive Director 17 July 2020
(iii) Mr K Small resigned as Director on 30 April 2021. No longer a KMP from 1 May 2021

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 (2020: nil).

End of Remuneration Report

Diversity

Proportion of women employees at 30 June 2021:

	Number	Proportion
Whole organisation*	3/12	25%
Senior executive positions	0/4	0%
Board	0/3	0%

*Includes three non-executive Directors

Performance rights on issue at 30 June 2021

Date granted	Date of expiry	Number
29 November 2017	29 November 2022	2,788,667
15 November 2018	15 November 2023	1,785,000
21 December 2018	15 November 2023	19,371,000
		23,944,667

Options on issue at 30 June 2021

Date granted	Date of expiry	Exercise Price	Number
4 November 2019	4 November 2023	$A0.08	42,500,000
			42,500,000

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 to employees at 30 June 2021.

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 16 to 28.

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

Mike Utsler

Mr Michael Utsler
Executive Chairman

28 September 2021

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Australia

DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF OTTO ENERGY LIMITED

As lead auditor of Otto Energy Limited for the year ended 30 June 2021, 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.

Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 28 September 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Note	2021 US$'000	2020 US$'000
Operating Revenue (Net)	2	30,137	23,028
Cost of sales	3	(10,198)	(10,302)
Gross profit		**19,939**	**12,726**
Other income	2	203	244
Loss on disposal of property, plant and equipment		-	(3)
Profit on disposal of subsidiary	4	7,971	-
Exploration expenditure	5	(2,676)	(13,067)
Impairment	13	(12,850)	-
Finance income/(costs)	6	(2,720)	(2,392)
Gains/(losses) on derivative financial instruments	15	(10,313)	5,971
Administration and other expenses	6	(4,187)	(4,835)
Loss before income tax		**(4,633)**	**(1,356)**
Income tax expense	8	(5)	(2)
Loss from continuing operations		**(4,638)**	**(1,358)**
Profit from discontinued operations	19	4,188	-
Loss for the period after tax		**(450)**	**(1,358)**
Other comprehensive income that may be recycled to profit or loss			
Total other comprehensive income		-	-
Total comprehensive loss for the year		**(450)**	**(1,358)**
Earnings per share from continuing operations			
Basic and diluted loss per share (US cents)	7	(0.10)	(0.05)
Earnings per share attributable to the ordinary equity holders of the company			
Basic and diluted loss per share (US cents)	7	(0.01)	(0.05)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Note	2021 US$'000	2020 US$'000
Current assets			
Restricted cash	9	5,380	5,000
Cash equivalents	9	5,720	11,551
Trade and other receivables	11	3,884	2,111
Derivative financial instruments	15	-	2,907
Financial assets at fair value through profit or loss	12	8,129	-
Other financial assets	12	437	5,373
Total current assets		**23,550**	**26,942**
Non-current assets			
Oil and gas properties	13	36,963	39,793
Right-of-use assets		242	402
Derivative financial instruments	15	-	1,254
Property, plant and equipment		201	288
Other financial assets	12	375	600
Total non-current assets		**37,781**	**42,337**
Total assets		**61,331**	**69,279**
Current liabilities			
Trade and other payables	14	1,675	1,958
Borrowings (net of transaction costs)	16	8,179	8,179
Derivative financial instruments	15	4,703	-
Lease liabilities		151	139
Provisions	17	22	194
Total current liabilities		**14,730**	**10,470**
Non-current liabilities			
Borrowings (net of transaction costs)	16	1,950	10,127
Derivative financial instruments	15	809	-
Lease liabilities		123	274
Provisions	17	3,820	3,757
Total non-current liabilities		**6,702**	**14,158**
Total liabilities		**21,432**	**24,628**
Net assets		**39,899**	**44,651**
Equity			
Contributed equity	18	133,223	133,242
Reserves	19	10,414	14,697
Accumulated losses		(103,738)	(103,288)
Total equity		**39,899**	**44,651**

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 2021

	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 2019	125,041	9,879	4,188	(101,930)	37,178
Loss for the period	-	-	-	(1,358)	(1,358)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(1,358)	(1,358)
Transactions with owners in their capacity as owners:					
Issue of shares (net of costs)	8,201	-	-	-	8,201
Issue of options – Note 23	-	528	-	-	528
Equity benefits issued to employees	-	102	-	-	102
Balance at 30 June 2020	133,242	10,509	4,188	(103,288)	44,651
Balance at 1 July 2020	133,242	10,509	4,188	(103,288)	44,651
Gain (loss) for the period	-	-	-	(4,638)	(4,638)
Profit from discontinued operations	-	-	-	4,188	4,188
Total comprehensive loss for the year	-	-	-	(450)	(450)
Transactions with owners in their capacity as owners:					
Issue of shares (net of costs)	(19)	-	-	-	(19)
Issue of options – Note 23	-	-	-	-	-
Equity benefits issued to employees	-	(95)	-	-	(95)
Foreign currency translation	-	-	(4,188)	-	(4,188)
Balance at 30 June 2021	133,223	10,414	-	(103,738)	39,899

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

CONSOLIDATED STATEMENT OF CASHFLOWS

For the year ended 30 June 2021

	Note	2021 US$'000	2020 US$'000
Cash flows from operating activities			
Oil and Gas Sales (net)		28,370	24,217
Other income		203	176
Payments to suppliers and employees		(7,856)	(12,341)
Payments for exploration and evaluation		(3,676)	(11,189)
Interest received/(paid)		(1,805)	(1,582)
Income tax paid		(4)	(2)
Net cash inflow /(outflow) from operating activities	10	**15,232**	**(721)**
Cash flows from investing activities			
Payments for property, plant and equipment		(172)	(418)
Payments for development and evaluation		(11,255)	(16,206)
Bond for development asset		(50)	43
Net cash outflow from investing activities		**(11,477)**	**(16,581)**
Cash flows from financing activities			
Net proceeds from borrowings / (loan repayments)		(9,200)	20,700
Transaction costs relating to borrowings		-	(2,545)
Proceeds from issue of shares		-	8,785
Transaction costs - shares		(19)	(585)
Net cash inflow/(outflow) from financing activities		**(9,219)**	**26,355**
Net (decrease)/increase in cash and cash equivalents		(5,464)	9,053
Cash and cash equivalents at the beginning of the financial year		16,551	7,383
Effects of exchange rate changes on cash		13	115
Cash and cash equivalents at the end of the financial year	9	**11,100**	**16,551**

There is no impact on the statement of cashflows from discontinued operations. 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 28 September 2021.

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 2020. Refer to note 30 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 21.

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.

ABOUT THIS REPORT (continued)

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.

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 8 Income tax
- Note 13 Oil and gas properties
- Note 17 Provisions
- Note 23 Share-based payments

Impact of Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the company based on known information. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the company unfavourably as at the reporting date

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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) 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 two reportable segments during 2021. Reportable segments exclude results from discontinued operations.

The segment information for the reportable segments for the year ended 30 June 2021 is as follows:

2021	**Gulf of Mexico (USA)**	**Other**	**Consolidated**
	US$'000	**US$'000**	**US$'000**
Operating Revenue	30,137	-	30,137
Cost of Production	(10,198)	-	(10,198)
Gross Profit	**19,939**	**-**	**19,939**
Other income	178	25	203
Profit on disposal of subsidiary	-	7,971	7,971
Exploration expenditure	(2,476)	(200)	(2,676)
Impairment	(12,850)	-	(12,850)
Finance costs	(2,877)	157	(2,720)
Losses on derivative financial instruments	(10,313)	-	(10,313)
Administration and other expenses	(3,037)	(1,150)	(4,187)
Profit (Loss) before income tax from continuing operations	**(11,436)**	**6,803**	**(4,633)**
Income tax expense	-	(5)	(5)
Profit (Loss) after income tax from continuing operations	**(11,436)**	**6,798**	**(4,638)**
Total non-current assets	37,777	4	37,781
Total assets	47,350	13,981	61,331
Total liabilities	21,099	333	21,432

1. Segment information (continued)

The segment information for the reportable segments for the year ended 30 June 2020 is as follows:

2020	**Gulf of Mexico (USA)**	**Other**	**Consolidated**
	US$'000	**US$'000**	**US$'000**
Operating Revenue	23,028	-	23,028
Cost of Production	(10,302)	-	(10,302)
Gross Profit	**12,726**	**-**	**12,726**
Other income	196	48	244
Loss on disposal of property, plant and equipment	(3)	-	(3)
Exploration expenditure	(13,231)	164	(13,067)
Finance costs	(2,388)	(4)	(2,392)
Gains on derivative financial instruments	5,971	-	5,971
Administration and other expenses	(4,035)	(800)	(4,835)
Profit (Loss) before income tax	**(764)**	**(592)**	**(1,356)**
Income tax expense	-	(2)	(2)
Profit (Loss) after income tax for the year	**(764)**	**(594)**	**(1,358)**
Total non-current assets	42,086	251	42,337
Total assets	63,199	6,080	69,279
Total liabilities	24,145	483	24,628

2. Revenue and other income

	2021	**2020**
	US$'000	**US$'000**
South Marsh 71 (SM71) Sales[(i) (iv)]		
Oil Sales	21,524	21,488
Gas Sales	1,021	965
Facility Fee	-	380
Total Sales	22,545	22,793
Less: Royalties[(i)]	(4,212)	(4,217)
SM71 Operating Revenue (Net)	18,333	18,576
Bulleit Field (GC-21) Sales[(i) (iv)]		
Oil Sales	414	-
Gas Sales	127	-
Natural Gas Liquids Sales	28	-
Total Sales	569	-
Less: Royalties[(i)]	(107)	-
GC-21 Operating Revenue (Net)	462	-

2. Revenue and other income (continued)

	2021 US$'000	2020 US$'000
Lightning Sales(ii) (iv)		
Oil Sales	2,890	1,581
Gas Sales	7,058	2,242
Natural Gas Liquids Sales	1,394	629
Lightning Operating Revenue (Net)	11,342	4,452
Total Operating Revenue (Net)	30,137	23,028

	2021 US$'000	2020 US$'000
Interest income(iii)	1	68
Other income	202	176
	203	244

(i) SM71 and GC-21 operating revenue is shown net of royalty payments payable to the (USA) Office of Natural Resources Revenue.
(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.
(iv) Gross oil revenue (US$21.524m) from Gulf of Mexico SM71 and Gross oil revenue (US$0.414m) from Gulf of Mexico GC-21, were sold to the same single customer. Net gas revenue (US$1.021m) from Gulf of Mexico SM71, net oil revenue (US$2.890m) and net gas revenue (US$8.452m) from Lightning were all sold to different single customers. Net gas revenue (US$0.155m) from Gulf of Mexico GC-21 was sold to multiple different customers.

Recognition and measurement

Revenue from the sale of SM 71 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.

Revenue from Lightning oil sales is recognised upon transfer of the product to the purchaser's transportation mode, currently via truck for oil, and at the production facilities for gas which is the point that title passes. Hence revenue is recognized at a point in time.

Production from GC 21 travels from the well via subsea flowline to the Talos owned GC 18 platform where the production is processed and sent to separate oil and gas transportation pipelines. Revenue from the sale of GC-21 oil is recognized at the inlet to the Shell Boxer Pipeline where the sale takes place. Gas is transported through the Manta Ray and Nautilus pipeline systems delivering gas at the Enterprise owned Neptune gas plant where the gas is processed and NGLs extracted from the gas stream. Revenue is recognized separately at this point for NGLs and residue gas as each product is sold at this point, hence revenue is recognised at a point in time.

3. Cost of Sales

	2021 US$'000	2020 US$'000
Cost of Sales		
Gathering and Production charges	4,624	3,738
Amortisation of capitalised developments – Note 13	5,574	6,564
Total Cost of Sales	10,198	10,302

4. Profit on disposal of subsidiary

	2021 US$'000	2020 US$'000
Profit on sale of Borealis Alaska LLC	7,971	-
Total Profit on sale of investments	7,971	-

On 20 January 2021, Otto advised it had reached agreement to sell the Otto subsidiary, Borealis Alaska LLC (Borealis) which held a 10.8% interest in the 44,463 acre Talitha Unit in Alaska to the acreage operator Pantheon Resources (Pantheon). As part of the sale terms, Otto will retain an existing a 0.5% of 8/8ths overriding royalty interest (ORRI) in any future production from the Talitha Unit. On 29 March 2021, the company advised that Otto received 14,272,592 shares in Pantheon Resources Plc (London Stock Exchange: PANR) in exchange for Borealis Alaska LLC. These shares are subject to a lock up period through 30 June 2021. A profit on sale of US$7,970,594 was recognised in the consolidated statement of profit or loss and other comprehensive income.

5. Exploration expenditure

	2021 US$'000	2020 US$'000
Exploration expenditure – Gulf of Mexico/Gulf Coast	2,476	13,231
Exploration expenditure – Alaska North Slope	200	(164)
	2,676	13,067

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 exploration drilling of the Beluga (US$2.1M) prospect.

	2021 US$'000	2020 US$'000
6. Other expenses		
i) Finance costs		
Interest and commitment fees on borrowings	1,805	1,650
Interest expense leases	25	25
Amortisation of borrowing costs	1,023	679
Accretion of decommissioning fund	23	25
Gain on investments at fair value	(158)	-
Other	2	13
Total finance costs/ (income)	2,720	2,392
ii) Administration and other expenses		
Employee benefits expense		
Defined contribution superannuation expense	49	84
Share-based payment (reversal)/expense	(95)	102
Other employee benefits expenses	2,454	3,070
Total employee benefits expense	2,408	3,256
Depreciation expense[(i)]		
Right-of-use assets		
Right-of-use assets – buildings	138	103
Right-of-use assets – plant and equipment	22	21
Total depreciation expense right-of-use assets	160	124
Property, plant and equipment		
Furniture and equipment	94	82
Total depreciation expense	254	206
Corporate and other costs	1,177	1,097
Business development	361	391
Foreign currency (gains)/losses	(13)	(115)
	1,525	1,373
Total administration and other expenses	4,187	4,835

(i) Depreciation and amortisation charges are included above in Note 6 other expenses and Note 3 Cost of sales. Total depreciation and amortisation for the Consolidated Entity is US$5.8 million (2020: US$6.8 million)

7. 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.

7. Earnings per share (continued)

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.

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

	2021	2020
Loss after tax from continuing operations	(4,638)	(1,358)
Profit after tax from discontinued operations	4,188	-
Loss attributable to owners of the Company (US$'000)	(450)	(1,358)
Weighted average number of ordinary shares on issue for basic and diluted earnings per share (number)	4,795,009,773	2,935,246,867
Performance rights on issue	23,944,667	35,534,667
Options on issue	42,500,000	42,500,000
Basic and diluted loss per share from continuing operations (US cents)	(0.10)	(0.05)
Basic and diluted profit per share from discontinued operations (US cents)	0.09	-
Basic and diluted loss per share attributable to owners of the Company (US cents)	(0.01)	(0.05)

8. Income tax

	2021 US$'000	2020 US$'000
The components of tax expense comprise:		
Current tax	5	2
Deferred tax – origination and reversal of temporary differences	-	-
Prior period under provision	-	-
	5	2
Reconciliation of income tax expense to prima facie tax payable:		
Loss before income tax from continuing operations	(4,633)	(1,356)
Profit before income tax from discontinued operations	4,188	-
Loss before income tax	(445)	(1,356)
Prima facie income tax at 30%	(133)	(407)
Difference in overseas tax rates	1,188	3,172
Non-assessable income	-	-
Tax effect of amounts not deductible in calculating taxable income	(1,753)	(4,026)
Benefit of deferred tax assets not brought to account	704	1,263
Income tax expense	5	2
Deferred tax assets		
Temporary differences		
– provisions and other corporate costs	235	337
– exploration and evaluation costs	-	-
	235	337

	2021 US$'000	2020 US$'000

8. Income tax (continued)

	2021 US$'000	2020 US$'000
Tax losses - revenue	7,819	7,351
Tax losses - foreign	12,450	11,358
	20,504	19,046
Offset against deferred tax liabilities recognised	(9,473)	(10,579)
Deferred tax assets not brought to account	(11,031)	(8,468)
Deferred tax assets brought to account	-	-

Deferred tax liabilities	**2021 US$'000**	**2020 US$'000**
Temporary differences – Oil and gas properties	9,473	10,579
Offset by deferred tax assets recognised	(9,473)	(10,579)
Deferred tax liabilities brought to account	-	-

Recognition and measurement

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

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

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

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

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

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

8. Income tax (continued)

Key estimates and judgements

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

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

9. Cash and cash equivalents

	2021 US$'000	2020 US$'000
Cash at bank and on hand	5,720	11,551
Restricted cash – debt service reserve account (DSRA)	5,380	5,000
Balance at end of period	11,100	16,551

Recognition and measurement

Cash at bank and on hand includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash at bank earns interest at floating rates based on daily bank deposit rates.

On 2nd November 2019, the Company entered into a three-year senior secured US$55 million term debt facility (Facility) with Macquarie Bank Limited (Macquarie). Under the terms of the agreement a Debt Service Reserve Account (DSRA) is required with a balance of the greater of 6 months of the forecast debt service or US$5,000,000. The DSRA may only be applied in reduction of the loan.

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

	2021 US$'000	2020 US$'000
Profit (Loss) after income tax	(450)	(1,358)
Non-cash items:		
Impairment	12,850	-
Depreciation expense – furniture and equipment	254	206
Foreign currency translation reserve reversal	(4,188)	-
Profit on sale of subsidiary	(7,971)	-
Gain on investments at fair value	(158)	-
Share-based payments	(95)	102
(Gain) Loss on derivative instruments at fair value	9,673	(4,035)
Finance costs – see note 6(i)	1,071	729
Amortisation of capitalised developments – see note 3	5,574	6,564
Other non-cash items	238	(360)

	2021 US$'000	2020 US$'000
10. Reconciliation of loss after income tax to net cash outflow from operating activities (continued)		
Change in assets and liabilities:		
(Increase)/Decrease in trade and other receivables	(1,767)	1,189
(Increase) Decrease in other assets	407	(4,239)
Increase in trade and other payables	(24)	466
Increase/(Decrease) in provisions	(182)	15
Net cash outflow from operating activities	15,232	(721)

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

	2021 US$'000	2020 US$'000
Borrowings		
Balance at the start of the year	18,306	-
Proceeds/repayment on borrowings	(9,200)	20,700
Borrowing transaction costs	-	(3,073)
Amortisation borrowing costs	1,023	679
Balance at the end of the year	10,129	18,306

OPERATING ASSETS AND LIABILITIES

11. Trade and other receivables

	2021 US$'000	2020 US$'000
Trade receivables[(i)]	3,791	2,024
Other receivables	93	87
	3,884	2,111

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 2021 Lightning (net of royalties), SM 71 and GC-21 oil and gas sales (before deduction of SM 71 and GC-21 royalties).

12. Other financial assets

	2021 US$'000	2020 US$'000
Current		
Financial assets at fair value through profit or loss[(i)]	8,129	-
Prepayments	348	5,287
Other assets	89	86
	8,566	5,373
Non-current		
Bonds[(ii)]	375	600
	375	600

(i) On 20 January 2021, Otto advised it had reached agreement to sell the Otto subsidiary, Borealis Alaska LLC (Borealis) which held a 10.8% interest in the 44,463 acre Talitha Unit in Alaska to the acreage operator Pantheon Resources (Pantheon). As part of the sale terms, Otto will retain an existing a 0.5% of 8/8ths overriding royalty interest (ORRI) in any future production from the Talitha Unit. On 29 March 2021, the company advised that Otto received 14,272,592 shares in Pantheon Resources Plc (London Stock Exchange: PANR) in exchange for Borealis Alaska LLC. These shares are subject to a lock up period through 30 June 2021

(ii) Development bond for SM 71 (US$325,000), GC-21 (US$50,000)

12. Other financial 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.

Financial assets held at fair value through profit or loss (FVPL)
The Group's classification of financial assets held at fair value through profit or loss applies to equity investments which are held for trading or where the FVOCI election has not been applied. They are carried on the balance sheet at fair value with changes in fair value recognised in profit or loss with any associated changes in fair value recognised in the income statement.

Financial assets held at fair value through other comprehensive income (FVOCI)
The Group's classification of financial assets held at fair value through other comprehensive income applies to equity investments where the Group has made the irrevocable election to present the fair value gains or losses on revaluation of the asset in other comprehensive income. This election can be made for each investment; however, it is not applicable to equity investments which are held for trading. These assets are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. These instruments are recognised at fair value, with changes in fair value being recognised directly in other comprehensive income.

Management have elected not to apply the FVOCI election and to hold the equity investment in Pantheon shares at fair value through profit and loss. The increase in fair value of US$0.158 million was recognised through profit and loss at reporting date. (PANR GBP0.4125 and USD/GBP exchange rate 1.3807).

13. Oil and gas properties

	2021 US$'000	2020 US$'000
Producing and development assets		
At cost		
SM71 balance at beginning of year	18,890	23,632
SM71 expenditure for the year	70	768
SM71 amortisation of assets	(4,000)	(5,510)
SM71 balance at end of year	14,960	18,890
Lighting balance at beginning of year	5,984	1,934
Lightning expenditure for the year	(42)	5,104
Lightning amortisation of assets	(1,302)	(1,054)
Lightning balance at end of year	4,640	5,984

13. Oil and gas properties (continued)

	2021 US$'000	2020 US$'000
GC-21 balance at beginning of year	14,919	5,416
GC-21 expenditure for the year	15,566	9,503
GC-21 impairment	(12,850)	-
GC-21 amortisation of assets	(272)	-
GC-21 balance at end of year	17,363	14,919
Total oil and gas properties including decommissioning assets	36,963	39,793

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 as prescribed by the relevant accounting standards.

The carrying value of oil and gas properties is reviewed annually by directors to ensure it is not in excess of the recoverable amount.

The recoverable amount of an asset or CGU is the greater of its fair value less costs of disposal (FVLCD) and its value-in-use (VIU), using an asset's estimated future cashflows (as described below) discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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.

13. Oil and gas properties (continued)

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.

Impairment

Assets are tested for impairment in line with AASB 136. 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, which is a product of quantity of reserves, prices, and operating costs, less the cost to sell and value in use.

Impairment indicators were identified on the GC-21 oil and gas asset during the year in relation to the lower-than-expected performance and cost overruns on the Bulleit well at Green Canyon (GC-21) as per the following table.

(US$millions)	Original Estimated Cost	Updated Estimated Cost
Drilling	$ 7.4	$ 16.7
Subsea Tieback	$ 10.8	$ 12.6
Platform Modifications	$ 1.4	$ 3.2
Completion Costs	$ 3.9	$ 6.7
	$ 23.5	$ 39.2

13. Oil and gas properties (continued)

At 31 December 2020, the Group assessed the GC-21 Bulleit cash-generating unit and determined that there was a US$US12.8 million impairment loss.

Recoverable value at 31 December 2020 was calculated using a VIU calculation. The estimated future cash flows for the VIU calculation were based on estimates, the most significant of which are hydrocarbon reserves (excluding uncommitted developments), future production profiles, commodity prices, operating costs and committed development costs.

Estimates of future commodity prices were based on the Group's best estimate of future market prices with reference to external market analyst's forecasts, current spot prices and forward curves, which averaged US$49.45/Bbl oil and US$2.58/MMBtu gas.

The discount rates applied to the future forecast cash flows were based on the weighted average cost of capital. The pre-tax discount rates that has been applied to non-current assets was 14%.

Sensitivity

To the extent oil and gas cash generating units have been written down to their respective recoverable amounts in the current and prior years, any change in key assumptions on which valuations are based would further impact asset carrying values. When modelled in isolation, it is estimated that changes in key assumptions would result in the following additional impairment:

Oil and gas assets	Production decrease 5% US$'000	Discount rate increase 0.5% US$'000	Oil and gas price decrease 10% all years US$'000
GC-21	1,425	327	2,985

There were no impairment indicators identified for the other assets at 30 June 2021.

Amortisation

Estimation of amortisation of the SM 71, GC-21 and Lightning oil and gas assets is based on the updated 2P reserves estimate and estimated future development costs as at 30 June 2021. Producing assets are amortised on a unit of production basis on 2P reserves. The reserves for SM-71 Lightning and Green Canyon 21 were compiled by Otto's independent consultant Ryder Scott Company. 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.

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.

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.

13. Oil and gas properties (continued)

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.

14. Trade and other payables

	2021 US$'000	**2020 US$'000**
Trade payables	1,526	1,720
Other Accrued expenses	149	238
	1,675	1,958

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.

15. Derivative financial instruments

	2021 US$'000	**2020 US$'000**
Current assets		
Balance at the beginning of the period	-	126
Unrealised gains on oil price fixed swaps	-	2,781
Current oil price fixed swaps – held at fair value through profit or loss	-	2,907
Non-current assets		
Balance at the beginning of the period	-	-
Unrealised gains on oil price fixed swaps	-	1,254
Non-current oil price fixed swaps – held at fair value through profit or loss	-	1,254
Total derivative financial instrument assets	-	4,161

15. Derivative financial instruments (continued)

	2021 US$'000	2020 US$'000
Current liability		
Balance at the beginning of the period	(2,907)	-
Unrealised losses on oil and natural gas price fixed swaps	7,610	-
Current oil price fixed swaps – held at fair value through profit or loss	4,703	-
Non-current liability		
Balance at the beginning of the period	(1,254)	-
Unrealised losses on oil and natural gas price fixed swaps	2,063	
Non-current oil and natural gas price fixed swaps – held at fair value through profit or loss	809	-
Total derivative financial instrument liabilities	5,512	-

	2021 US$'000	2020 US$'000
Realised gains/(losses) on oil and natural gas price fixed swaps	(640)	1,936
Unrealised gains/(losses) on oil and natural gas price fixed swaps	(9,673)	4,035
Total(gain/(loss) on derivative financial instruments	(10,313)	5,971

Recognition and measurement

Derivatives are initially recognised at their fair value when the Group becomes a party to the contract and are subsequently measured at fair value through profit or loss. The Group has not adopted Hedge Accounting under AASB 9 *Financial Instruments.*

16. Interest bearing loans and borrowings

Borrowings

	2021 US$'000	2020 US$'000
Current Secured		
Principal outstanding	9,200	9,200
Less: Facility transaction costs	(1,021)	(1,021)
Balance at the end of the period	8,179	8,179
Non – Current Secured		
Principal outstanding	2,300	11,500
Less: Facility transaction costs	(350)	(1,373)
Balance at the end of the period	1,950	10,127

16. Interest bearing loans and borrowings (continued)

On 2nd November 2019, the Company entered into a three-year senior secured US$55 million term debt facility (Facility) with Macquarie Bank Limited (Macquarie). The key terms of the facility were disclosed in the 30 June 2020 Annual Report.

On 21 January 2021, the company announced an amendment to the Facility. The amendments are as follows:

- Extension of access to and utilisation of the US$10 million Tranche A2 through to 31 March 2022
- Extension of time to identify and progress the GC 21 partners' well intervention plans (until 31 July 2021)
- In the interim, pending a GC 21 resolution, establish a minimum quarterly production rate average of 1,900 BOEPD

At 30 June 2021, US$25 million was drawn under the Facility and US$13.5 million had been repaid. 42.5 million options vested in November 2019 and an expense of US$528,000 has been capitalised against borrowings and is amortised over the life of the facility. The fair value of the options was calculated using a Black-Scholes model.

Transaction costs are accounted for under the effective interest rate method. These costs are incremental costs that are directly attributable to the Facility and include Facility origination fees, legal fees and other costs relating to the establishment of the Facility. The balance of unamortised transaction costs of US$1.4 million is offset against the facility borrowings of US$11.5 million. Total capitalised transaction costs relating to the facility agreement are US$3.1 million of which $1.0 million was amortised during the period (2020: $0.7 million) The facility agreement has certain financial covenants that the Company has to comply with. All such financial covenants have been complied with in accordance with the facility agreement.

17. Provisions

	2021 US$'000	2020 US$'000
Current		
Employee benefits	18	191
Tax	4	3
	22	194
Non-current		
Employee benefits (i)	-	11
Decommissioning fund – GC-21 Bulleit(ii)	1,694	1,673
Decommissioning fund – Lightning(ii)	175	209
Decommissioning fund – SM 71 (ii)	1,951	1,864
	3,820	3,757

(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.

17. Provisions (continued)

Recognition and measurement

Employee benefits

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

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

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

Contributions to superannuation plans are expensed when incurred.

Decommissioning fund

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at 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.

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

18. Contributed equity

Share capital

	2021 Number	2020 Number	2021 US$'000	2020 US$'000
Balance at beginning of year	4,795,009,773	2,460,464,725	133,242	125,041
Shares issued – placement	-	231,109,326(i)	-	780
Shares issued – entitlement offers	-	2,103,435,722(ii)	(19)	7,421
Balance at end of year	4,795,009,773	4,795,009,773	133,223	133,242

(i) Share placements

a. March 2020 at AU0.06 per share, converted to USD at the exchange rate on the transaction date of 0.6166. Net of share issue costs.

(ii) Share entitlements:

a. Institutional entitlement issued April 2020 at AUD0.06 per share, converted to USD at the weighted average exchange rate on the transaction date of 0.6104. Net of share issue costs.

b. Retail entitlement issued April 2020 at AUD0.06 per share, converted to USD at the weighted average exchange rate for the transaction dates of 0.6471. Net of share issue costs.

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 authorized capital.

Options

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

Performance rights

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

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.

19. Reserves

	2021 US$'000	2020 US$'000
Share-based payments reserve	10,414	10,509
Foreign currency translation reserve	-	4,188
	10,414	14,697

19. Reserves (continued)

	2021 US$'000	2020 US$'000
Share-based payments reserve		
Balance at beginning of year	10,509	9,879
Options reserve	-	528
Share-based payment expense	(95)	102
Balance at end of year	10,414	10,509
Foreign currency translation reserve		
Balance at beginning of year	-	4,188
Balance at end of year	-	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 26 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.

Otto Energy Philippines Inc was officially deregistered on 28 June 2021 and the associated foreign currency translation reserve reversed. This has been presented as profit from discontinued operations within the financial report.

20. Financial instruments

The Group is exposed to market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed.

Otto's Board of Directors ('Board') is responsible for approving Otto's policies on risk oversight and management and ensuring management has developed and implemented effective risk management and internal controls. Risk management is carried out by the senior executives under these policies which have been approved by the Board. Management identifies, evaluates and, if necessary, hedges financial risks within the Group's operating units. The Board then receives reports as required from the Chief Financial Officer 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.

20. Financial instruments (continued)

b) 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.

The company will undertake 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. There were no capital raising activities in the current financial year.

A hypothetical change of 10% (2020: 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 2021, management has assessed that the entity's exposure to foreign exchange movements is immaterial and therefore no further analysis is provided.

c) 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 2021 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 and interest rate risk on borrowings. The restricted cash in the debt service reserve account held by Macquarie is non-interest bearing so excluded from this analysis.

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

	2021 US$'000	2020 US$'000
Cash at bank and on hand	5,720	11,551
Borrowings (excludes capitalised borrowing costs)	(11,500)	(20,700)
	(5,780)	(9,149)

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.

20. Financial instruments (continued)

Judgements of reasonably possible movements	**Effect on post tax losses Increase/(decrease) 2021**	**2020**
	US$'000	US$'000
Increase 100 basis points	58	91
Decrease 100 basis points	(58)	(91)

d) Commodity price risk

Otto derives its revenue from the sale of oil and natural gas. As a result, the Company's revenues are determined, to a large degree, by prevailing oil and natural gas prices. Otto sells its production to purchasers pursuant to sales agreements, with sales prices tied to industry standard published index prices, subject to negotiated price adjustments.

Otto typically utilizes commodity price hedge instruments to minimize exposure to short term price fluctuations by using a series of swaps, costless collars and/or puts. Unrealized gains or losses associated with hedges vary period to period, and are a function of hedges in place, the strike prices of those hedges and the forward curve pricing for the commodities being hedged. Currently, all of Otto's hedges are oil swaps, and the Company has no three-way collars or short puts.

As of 30 June 2021, Otto had a crude oil hedge book of 249,889 barrels of oil hedged through September 2022 via swaps, at a weighted average LLS price of US$50.19 as follows:

Months	Volume (Bbls)	Weighted Avg Price (LLS)
July - December 2021	122,650	US$50.47
January - September 2022	127,239	US$49.92

Additionally, the Company had a natural gas hedge book 180,143 Mmbtu of natural gas hedged through December 2021 via swaps, at a weighted average Houston Ship Channel price of US$3.11 as follows:

Months	Volume (Mmbtu)	Weighted Avg Price (HSC)
July – December 2021	180,143	US$3.11

The fair value of the derivative financial instruments held at fair value through profit and loss is based on forward prices as at 30 June 2021. An increase in forward prices would reduce the fair value of the derivative financial liability held at fair value through profit and loss. An increase of 10% in trade forward prices would result in a decrease of US$0.55 million of the fair value of the derivative financial liability held at fair value through the profit or loss. A decrease of 10% in trade forward prices would result in an increase of US$0.55 million of the fair value of the derivative financial liability held at fair value through the profit or loss.

e) 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.

20. Financial instruments (continued)

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, GC-21 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:

	2021 US$'000	2020 US$'000
Cash and cash equivalents	11,100	16,551
Trade and other receivables	3,884	6,634
	14,984	23,185

f) 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. 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					
2021	1,675	1,675	1,675	-	-
2020	1,958	1,958	1,958	-	-
Lease liabilities					
2021	274	274	151	123	-
2020	413	413	139	151	123
Borrowings					
2021	10,129	10,129	8,179	1,950	-
2020	18,306	18,306	8,179	8,179	1,948

g) Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while optimization the potential return to shareholders through the optimization of the debt and equity balance. The capital structure of the Group at year end comprises 75% equity and 25% debt (2020: 59% equity and 41% debt)

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

20. Financial instruments (continued)

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.

h) Equity price risk

The Group is exposed to equity price risk on its equity investments. The group holds 14,272,592 shares in Pantheon Resources Plc (London Stock Exchange: PANR)

The following sensitivity analysis is based on the equity price risk exposures in existence at the reporting date. The 10.0% sensitivity is based on reasonable possible changes.

Judgements of reasonably possible movements	**Effect on post tax losses Increase/(decrease)**	
	2021	**2020**
	US$'000	US$'000
Increase 10%	813	-
Decrease 10%	(813)	-

i) Fair values

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets 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:

Financial assets measured at fair value		**2021 US$'000**	**2020 US$'000**
Financial assets at fair value through profit and loss[ii]	Level 1	8,129	-
Financial assets at fair value through profit and loss[i]	Level 2	-	4,161
Financial assets at fair value through profit and loss	Level 3	-	-
Total financial assets measured at fair value		8,129	4,161

Financial liabilities measured at fair value[i]		**2021 US$'000**	**2020 US$'000**
Derivative financial liabilities at fair value through profit and loss	Level 1	-	-
Derivative financial liabilities at fair value through profit and loss	Level 2	5,512	-
Derivative financial liabilities at fair value through profit and loss	Level 3	-	-
Total financial liabilities measured at fair value		5,512	-

(i) The fair value of the derivatives were determined based on a "mark to market" approach, calculated based on forward prices relative to contracted prices for contracts held as at 30 June 2021 as disclosed in note 15

(ii) The fair value of equity investments was determined based on a "mark to market" approach, calculated based on the closing price of PANR shares as at 30 June 2021 as disclosed in note 12.

20. Financial instruments (continued)

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.

OTHER DISCLOSURES

21. 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)	
				2021 (%)	2020 (%)
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
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
Otto Energy Alaska (Delaware) LLC	USA	USD	Ordinary	100	-
Otto Energy Resources Corporation (Delaware)	USA	USD	Ordinary	100	-
Borealis Alaska LLC	USA	USD	Ordinary	-	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	USA	USD	Ordinary	100	100
Otto Energy (Lightning) LLC	USA	USD	Ordinary	100	100
Otto Energy (Patrick Henry) LLC	USA	USD	Ordinary	100	100

22. Interest in operations

a) Operations

The Group's share of the assets, liabilities, revenues and expenses of operations have been incorporated into the financial statements in the appropriate items of the Consolidated Statement of Profit or Loss and Other Comprehensive Income and Consolidated Statement of Financial Position.

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

		2021	2020
Asset	Country	Group interest	Group interest
South Marsh Island 71	USA	50%	50%
Onshore Alaska North Slope – Central Blocks	USA	-	8 – 10.8%
Lightning	USA	37.5%	37.5%
GC-21 (i)	USA	16.67%	16.67%

(i) Otto earned it's 16.67% working interest in GC-21 by paying 22.22% of the cost of drilling the "Bulleit" appraisal well

22. Interest in operations (continued)

b) Commitments through interests in operations

The aggregate of the Group's commitments through its interests in operations is as follows:

	2021 US$'000	2020 US$'000
Exploration expenditure commitments – not later than 1 year	103	6,203
Exploration expenditure commitments – Later than one year but not later than five years	198	2,901
Capital expenditure commitments – not later than 1 year	-	9,436
	301	18,540

23. Share-based payments

a) Employee share option plan

The establishment of the Employee Share Option Plan was approved by shareholders at the 2016 Annual General Meeting and again at the 2019 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 employee options on issue during the 2021 financial year. The Company did not grant any employee options during the 2021 or 2020 financial years. During the year ended 30 June 2021, nil (2020: nil) options expired.

b) Options issued to external parties

In addition to customary upfront fees payable to Macquarie, the Company issued to Macquarie 42.5 million options to subscribe for fully paid ordinary shares in the Company at an exercise price of A$0.08 to access Tranche A1. A further 42.5 million options will be issued on initial draw of Tranche A2 and will expire four years after issue date.

The initial 42.5 million options vested in November 2019 and an expense of US$528,000 has been capitalised against borrowings and is amortised over the life of the facility. The fair value of the options was calculated using a Black-Scholes model.

c) 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

23. Share-based payments (continued)

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. Any unvested performance rights lapse on cessation of employment or office.

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

2021		**Fair value on date of issue**	**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$**	**US$**	**Number**	**Number**	**Number**	**Number**	**Number**
29 Nov 2017	29 Nov 2022	0.02	0.02	3,461,333	-	-	(2,067,000)	1,394,333
29 Nov 2017	29 Nov 2022	0.02	0.01	3,461,334	-	-	(2,067,000)	1,394,334
21 Dec 2018	15 Nov 2023	0.01	0.01	5,919,333	-	-	-	5,919,333
21 Dec 2018	15 Nov 2023	0.01	0.01	2,959,667	-	-	-	2,959,667
15 Nov 2018	15 Nov 2023	0.02	0.02	1,925,000	-	-	(1,330,000)	595,000
21 Dec 2018	15 Nov 2023	0.01	0.01	4,652,667	-	-	(1,155,334)	3,497,333
15 Nov 2018	15 Nov 2023	0.03	0.02	1,925,000	-	-	(1,330,000)	595,000
21 Dec 2018	15 Nov 2023	0.01	0.01	4,652,667	-	-	(1,155,332)	3,497,335
15 Nov 2018	15 Nov 2023	0.03	0.02	1,925,000	-	-	(1,330,000)	595,000
21 Dec 2018	15 Nov 2023	0.01	0.01	4,652,666	-	-	(1,155,334)	3,497,332
Total				35,534,667	-	-	(11,221,333)	23,944,667
Weighted average exercise price – A$				0.01				0.01

23. Share-based payments (continued)

2020		Fair value on date of issue	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$	US$	Number	Number	Number	Number	Number
23 Apr 2015	31 Dec 2019	0.06	0.05	1,543,334	-	-	(1,543,334)	-
23 Apr 2015	31 Dec 2019	0.07	0.05	3,086,666	-	-	(3,086,666)	-
29 Nov 2017	29 Nov 2022	0.02	0.02	4,729,000	-	-	(1,267,667)	3,461,333
29 Nov 2017	29 Nov 2022	0.02	0.01	4,729,000	-	-	(1,267,666)	3,461,334
21 Dec 2018	15 Nov 2023	0.01	0.01	5,919,333	-	-	-	5,919,333
21 Dec 2018	15 Nov 2023	0.01	0.01	2,959,667	-	-	-	2,959,667
15 Nov 2018	15 Nov 2023	0.02	0.02	2,396,000	-	-	(471,000)	1,925,000
21 Dec 2018	15 Nov 2023	0.01	0.01	5,533,667	-	-	(881,000)	4,652,667
15 Nov 2018	15 Nov 2023	0.03	0.02	2,396,000	-	-	(471,000)	1,925,000
21 Dec 2018	15 Nov 2023	0.01	0.01	5,533,667	-	-	(881,000)	4,652,667
15 Nov 2018	15 Nov 2023	0.03	0.02	2,396,000	-	-	(471,000)	1,925,000
21 Dec 2018	15 Nov 2023	0.01	0.01	5,533,666	-	-	(881,000)	4,652,666
Total				46,756,000	-	-	(11,221,333)	35,534,667
Weighted average exercise price – A$				0.02				0.01

	2021 US$'000	2020 US$'000
Set out below is the share based payment (reversal)/expense:		
Performance rights issued prior to 1 July 2017	(126)	-
Performance rights issues in financial year 2018	2	1
Performance rights issues in financial year 2019	29	101
Total	(95)	102

No performance rights were granted under the Plan in the financial year 2021. 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. 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 year ended 30 June 2019 is 15%, compounding from the date of grant to the measurement date (based on 90 day VWAP).

23. Share-based payments (continued)

If 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. Any unvested performance rights will lapse on cessation of employment or office under the Performance Rights Plan.

For the year ended 30 June 2021, the Group recognised share-based payments expense reversal of US$95,500 in the Consolidated Statement of Profit or Loss and Other Comprehensive Income (2020: US$102,942). This included reversals of US$133,641 for the following forfeited unlisted performance rights.

Number	Details of Lapsed Performance Rights
4,134,000	Unlisted Employee and Director Performance Rights on or before 29 November 2022
7,456,000	Unlisted Employee and Director Performance Rights on or before 15 November 2023

Recognition and measurement

The Group has in previous financial years 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 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 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.

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 is treated as if it was a modification of the original award, as described in the preceding paragraph.

23. Share-based payments (continued)

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.

24. Related parties

	2021 US$'000	2020 US$'000
Key management personnel compensation		
Short-term employee benefits	1,236,182	1,786,015
Consulting fees(i)	44,610	55,268
Post-employment benefits	33,198	75,201
Other benefits	100,296	325,667
Share-based payments	(17,708)	79,160
Total USD	1,396,578	2,321,311
Total AUD equivalent	1,885,591	3,464,456

(i) Effective 1 April 2020, the Board of Directors engaged Mr John Jetter to serve as a consultant to the Company, to perform any services required by the Company. Under the terms of the consultancy agreement, Mr Jetter is to consult for a maximum of three days per week at a rate of AUD$2,500 per day. For the 12 months ended 30 June 2021, Mr Jetter earned AUD$62,500 (2020: AUD$80,000) under this consultancy agreement. With the hiring of Mr Utsler in September 2020, it is not expected that Mr Jetter will continue to serve as a consultant. Detailed disclosures provided in the remuneration report on pages 16 to 28

25. 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:

	2021 US$'000	2020 US$'000
BDO Australia		
Audit and review of financial statements	61,481	52,266
Tax compliance services	13,433	15,017
Tax consulting and tax advice	6,970	31,114
Total remuneration of BDO Australia	**81,884**	**98,397**
Network firms of BDO Australia		
Audit and review of financial statements	23,441	10,139
Tax compliance services	4,963	9,500
International tax consulting	53,290	-
Total remuneration of network firms of BDO Australia	**81,694**	**19,639**

25. Auditor's remuneration (continued)

	2021 US$'000	2020 US$'000
Non-BDO		
Audit and review of financial statements	-	1,166
Tax compliance services	-	-
Total remuneration of non-BDO audit firms	**-**	**1,166**
Total	**163,578**	**119,202**

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.

26. Contingent liabilities

There are no contingent liabilities at balance date.

27. Commitments

a) Exploration expenditure commitments

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

	2021 US$'000	2020 US$'000
Not later than 1 year	103	6,203
Later than one year but not later than five years	198	2,901
	301	9,104

Under the Joint Exploration and Development Agreement with Hilcorp dated 31 July 2018, Otto Energy (USA) Inc was originally required to pay Hilcorp liquidated damages (LD's) of US$1,000,000 for each prospect that was not an earned prospect, in the event of a default of the Company's obligations. As per ASX announcement dated 5 October 2020, Hilcorp and Otto mutually agreed to remove the Tarpon, Oil Lake and Mallard prospects from the agreement. With Otto's participation in the drilling of the Beluga well, Otto has no further drilling related obligations to Hilcorp under the Joint Exploration and Development Agreement.

Under the agreement between Great Bear Petroleum Operating LLC and Borealis Alaska LLC, there was a remaining commitment to take part in two exploration wells with a capped expenditure of US$2.6 million per welll. In the ASX announcement dated 20 January 2021, Otto advised it had reached an agreement to sell the Otto subsidiary, Borealis Alaska LLC which holds a 10.8% interest in the 44,463 acre Talitha unit in Alaska to the acreage operator Pantheon Resources subject to Alaskan DNR approval. In the ASX announcement 29 March 2021, Otto advised the sale had been finalised. Accordingly, there are no further drilling obligations in relation to Borealis Alaska LLC.

27. Commitments (continued)

b) Capital expenditure commitments

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

	2021 US$'000	2020 US$'000
Not later than 1 year	-	9,436
Later than one year but not later than five years	-	-
	-	9,436

There are no capital expenditure commitments at reporting date.

28. Events after the reporting period

No matters or circumstances have arisen since 30 June 2021 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:

- On 23 August 2021, the Company announced that the Debt Facility had been amended to remove all timing and production requirements associated with the "Bulleit" well at GC 21, and extended the minimum group quarterly production rate average (WI basis) of 1,900 BOEPD until 31 December 2021, and then reduces it to 1,400 BOEPD from 1 January 2022 until the maturity date (4 November 2022).

- On 27 August 2021, the Company announced that 30,000,000 options had been issued to Foster Stockbroking Pty Ltd pursuant to the terms of an Equity Capital Markets Advisory Agreement. Of these, 20,000,000 options have an exercise price of A$0.02 per option and 10,000,000 options have an exercise price of A$0.025 per option. All the options expire on 27 August 2024.

- On 9 September 2021 the Company released its statement of reserves and prospective resources for SM 71, Lightning and Green Canyon 21 as at 30 June 2021. The reserves were compiled by Otto's independent consultant Ryder Scott Company. The summary statement of reserves and prospective resources as at 30 June 2021 and Changes to reserves and resources since 30 June 2020 is set out below. For full details refer to ASX release dated 9 September 2021.The individual statements for each field are included in the Production and Development section above.

Total	Gross (100%)			Net		
	Oil (MbbL)	Gas (MMcf)	Mboe	Oil (MbbL)	Gas (MMcf)	Mboe
Proved Producing	3,196	17,814	6,166	1,231	5,297	2,114
Proved Behind Pipe	4,595	9,193	6,127	779	2,306	1,162
Proved Undeveloped	452	15,060	2,962	129	4,302	846
Proved (1P)	**8,243**	**42,067**	**15,255**	**2,139**	**11,905**	**4,122**
Probable	4,935	29,631	9,873	982	8,235	2,355
Proved Plus Probable (2P)	**13,178**	**71,698**	**25,128**	**3,121**	**20,140**	**6,477**
Possible	2,584	27,507	7,168	665	7,838	1,971
Proved Plus Probable Plus Possible (3P)	**15,762**	**99,205**	**32,296**	**3,786**	**27,978**	**8,448**
Total Prospective Resource (best estimate, unrisked)	3,250	24,300	7,300	930	6,930	2,085

28. Events after the reporting period (continued)

Changes to reserves and resources since 30 June 2020:

Otto Energy Limited Grand Total - Reserve Reconciliation (Otto Energy NRI Share)												
	Oil (Mbbl)				Gas (MMCF)				MBOE			
	Remaining 6/30/2020	Production 2020	Additions & Revisions	Remaining 6/30/2021	Remaining 6/30/2020	Production 2020	Additions & Revisions	Remaining 6/30/2021	Remaining 6/30/2020	Production 2020	Additions & Revisions	Remaining 6/30/2021
Proved (1P)	2,382	438	196	2,140	14,625	2,411	(308)	11,905	4,820	840	145	4,122
Probable	1,719	0	(737)	982	9,088	0	(853)	8,235	3,234		(879)	2,355
Proved+Probable (2P)	4,102	438	(541)	3,122	23,712	2,411	(1,161)	20,140	8,054	840	(735)	6,477
Possible	1,807	0	(1,142)	665	11,142		(3,304)	7,838	3,664		(1,692)	1,971
Proved+Probable+ Possible (3P)	5,908	438	(1,683)	3,787	34,854	2,411	(4,465)	27,978	11,717	840	(2,427)	8,448

The impact of the Coronavirus (Covid-19) pandemic is ongoing and its impact on the Group has been disclosed within the Directors Report. It is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly changing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

29. Parent entity disclosures

As at, and throughout the financial year ended 30 June 2021, the parent company of the Group was Otto Energy Limited.

	2021 US$'000	2020 US$'000
	Parent entity	
Summarised statement of profit or loss and other comprehensive income		
Loss for the year after tax	(31,918)	(38,905)
Total comprehensive loss for the year	(31,918)	(38,905)

	2021 US$'000	2020 US$'000
Summarised statement of financial position		
Current assets	5,767	5,727
Non-current assets	34,315	40,728
Total assets	40,082	46,455
Current liabilities	183	293
Non-current liabilities	-	11
Total liabilities	183	304
Net assets	39,899	46,151

29. Parent entity disclosures (continued)

	2021 US$'000	2020 US$'000
Total equity of the parent entity comprises:		
Share capital	133,223	133,242
Share based payments reserves	10,414	10,509
Foreign currency translation reserve	-	118
Accumulated losses	(103,738)	(97,718)
Total equity	39,899	46,151

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 2021 and 30 June 2020 beyond those listed in Note 29

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.

30. New accounting standards and interpretations

There are no new and amended standards adopted by Otto Energy Limited

DIRECTORS' DECLARATION

For the year ended 30 June 2021

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 2021 Remuneration Report, comply with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and other mandatory professional reporting requirements;

   b. the financial statements and notes give a true and fair view of the financial position of the Group as at 30 June 2021 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 2021 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 2021.

On behalf of the Board

Mr M Utsler
Director
28 September 2021

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Australia

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 2021, 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 2021 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 (including Independence Standards) (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.

BDO

Impairment testing of Cash Generating Unit

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 13 represents a significant asset to the Group and is comprised of several Cash Generating Units ("CGUs"). The Australian Accounting Standards require the Group to assess whether there are any indicators that oil and gas properties may be impaired.
 	
The Group concluded there was an impairment indicator during the year pertaining to its Bulleit well at Green Canyon (GC-21) as a result of lower than expected well performance and cost overruns. Accordingly, the Group was required to estimate the recoverable amount of the GC-21 CGU in accordance with the Australian Accounting Standards from which an impairment was recognised as per note 13.
 	
The assessment of impairment is complex and contains a number of estimates and judgements. The key judgements and estimates used in the group's impairment assessment are disclosed in note 13 to the financial report. Accordingly, this matter was considered to be a key audit matter.
	Our work included but not limited to the following procedures:
	
	• Assessing the appropriateness of the Group's categorisation of Cash Generating Units ("CGUs") and the allocation of assets to the carrying value of CGUs based on our understanding of the Group's business and internal reporting;
	• Considering management's valuation methodology applied in measuring the fair value of the respective assets identified within the GC-21 CGU;
	• Obtaining and reviewing available reserve data from management's external experts to determine whether the data has been correctly included in the impairment model. This included assessing the competency and objectivity of management's expert;
	• Reviewing the accuracy and integrity of management's value in use model;
	• Challenging key inputs used in the value in use calculation including but not limited to the following:
	    • In conjunction with our valuation specialist, considering the appropriateness of the discount rate used;
	    • Benchmarking and analysing management's oil and gas price assumptions against external market data;
	    • Reviewing and analysing the appropriateness of forecasted operating and production costs contained within managements model against actuals and source documentation where possible; and
	    • Performing sensitivity analysis on the commodity pricing, reserves and discount rates.
	• Reviewing the Director's minutes and ASX announcements for evidence of consistency of information with management's assessment of the carrying value of GC-21; and
	• Assessing the adequacy of the related disclosures in note 13 to the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information contained in Financial report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Annual report, which is expected to be made available to us after that date.

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

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

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

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

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the 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:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 on pages 16 to 28 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Otto Energy Limited, for the year ended 30 June 2021, 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

Phillip Murdoch

Director

Perth, 28th September 2021

ADDITIONAL ASX INFORMATION

As at 16 September 2021

Distribution of shareholdings

Range	Number of holders	Number of shares
1 – 1,000	166	23,156
1,001 – 5,000	210	652,312
5,001 – 10,000	439	3,680,666
10,001 – 100,000	1,860	82,435,222
100,001 and over	1,616	4,708,218,417
Total	4,291	4,795,009,773

Shareholders by location

	Number of holders	Number of shares
Australian holders	4,079	4,627,120,876
Overseas holders	2238	167,888,897
	4,317	4,795,009,773

Unmarketable parcels

There were 1,919 shareholders holding less than a marketable parcel of shares.

Twenty largest shareholders

	Name	Ordinary shares	
		Number of shares	%
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,344,488,621	48.89%
2	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	160,355,138	3.34%
3	BNP PARIBAS NOMINEES PTY LTD	130,919,019	2.73%
4	BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD	87,581,664	1.83%
5	CITICORP NOMINEES PTY LIMITED	77,942,143	1.63%
6	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	60,684,395	1.27%
7	MR JOHN PHILIP DANIELS	49,406,330	1.03%
8	CS THIRD NOMINEES PTY LIMITED	36,625,112	0.76%
9	BNP PARIBAS NOMS PTY LTD	33,002,776	0.69%
10	MR NEIL DAVID OLOFSSON & MRS BELINDA OLOFSSON	26,600,000	0.55%
11	MR DOUGAL JAMES FERGUSON	24,340,000	0.51%
12	TROPICAL INVESTMENTS WA PTY LTD	22,555,555	0.47%
13	MR ANASTASIOS MAZIS	22,122,603	0.46%
14	MR MATTHEW GERARD ALLEN	21,541,602	0.45%
15	MR THOMAS FRITZ ENSMANN	20,000,000	0.42%
16	MR ANDREW MCKENZIE & MRS CATHERINE MCKENZIE	19,966,667	0.42%
17	ASB NOMINEES LIMITED	18,703,524	0.39%
18	MR DANIEL LEE	18,211,778	0.38%
19	DANIEL LEE PTY LTD	17,771,431	0.37%
20	MR KERRY ELDON NOBLE	17,269,563	0.36%
		3,210,087,921	66.95%

ADDITIONAL ASX INFORMATION

As at 16 September 2021

Substantial shareholders

Name	Ordinary shares	
	Number of shares	%
Molton Holdings Limited	2,305,859,697	48.38%

Unquoted securities

The unlisted securities of the Company are 35,534,667 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
29 November 2017	29 November 2022	A$0.00	2,788,667	2
15 November 2018	15 November 2023	A$0.00	1,785,000	2
21 December 2018	15 November 2023	A$0.00	19,371,000	4
			23,944,667	

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 42,500,000 options on issue as at 30 June 2021.

Performance rights

There are no voting rights attached to the performance rights.

Corporate governance

The Company’s Corporate Governance Statement can be accessed at www.ottoenergy.com