



2011

ANNUAL REPORT



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Chairman's Report



Dear Shareholders:

It is my pleasure to deliver my seventh annual report to shareholders as the Chairman of Otto Energy.

The Board and management are focused on value growth for shareholders through unlocking the potential of our asset base and measured growth within our regions of focus. Consistent with this strategy 2010/11 was a significant year for Otto with the execution of two major transactions; firstly the farm-in by BHP Billiton into Service Contract 55 and secondly the acquisition of the remaining shareholding in the Galoc Production Company, operator of the Galoc Oil field.

The completion of the Service Contract 55 farm-in with BHP Billiton has cemented a relationship that has been developing over a number of years. The joint venture has announced the entry into Sub-Phase 4 of the Service Contract and we look forward to participating in the drilling of the high impact offshore exploration well, Cinco, in 2012.

Otto's confidence in the Galoc asset has continued to improve throughout the financial year and the acquisition of the shareholding in Galoc Production Company held by Vitol was an attractive opportunity for Otto to undertake. The transaction is expected to close before 30 September 2011 at which point Otto will assume control of the operating company ahead of a proposed Phase II development of the Galoc oil field.

Otto is pleased to be working with Risco Energy Pte Ltd, an energy investment company from Singapore, to undertake the acquisition of Vitol's interest. Otto along with the Galoc Joint Venture is progressing the front end engineering and design for the Phase II development of the Galoc oil field.

During the year Otto took the opportunity to increase working interests held in our core Philippines acreage and to divest or farm-down acreage that was regarded as non-core. This continued focus on ensuring optimal working interest will continue in the coming financial year.

Business growth is focussed on the highly prospective East Africa Rift Valley region, which has seen a number of recent discoveries. The opportunity to complement our Philippines portfolio with growth opportunities onshore or near shore East Africa is an important part of our growth strategy.

Otto has established a relationship with Swala Energy Ltd, a private Australian based group with significant working knowledge of the East Africa oil and gas industry and can assist with gaining entry into opportunities in the region. This relationship has seen the submission of expressions of interest for acreage in Kenya on ground floor exploration terms.

I would like to take this opportunity on behalf of the company to thank the management team and all of the staff in our Perth and Manila offices for their efforts over the past year. It is through the dedicated efforts of this small group of highly experienced people that Otto will realise its potential. My gratitude also goes to my fellow directors for their guidance and support during a particularly active period. My appreciation extends also to shareholders for their support of the Company, which saw Otto outperform many of its peers on the stock market during a volatile year.

The coming year will provide significant opportunity for value growth for shareholders of Otto Energy as the first deepwater offshore well is drilled in Service Contract 55 by BHP Billiton. The maturation of the Phase II development at the Galoc oil field and enhancement of Otto's operating credentials will continue to position Otto uniquely amongst its peer group.

It is with great anticipation that I look forward to the company delivering on its objectives during the 2011/12 year and being able to report another successful year to the shareholders of Otto Energy Ltd.



A handwritten signature in black ink, appearing to read 'Rick Crabb', written over a light background.

RICK CRABB | CHAIRMAN

Opposite:

Rubicon Intrepid, Forward Thruster Change Out, Batangas

Philippines Prospects

Otto Energy Ltd (“Otto”) has continued to focus on its Philippines-based portfolio of high quality exploration assets, complemented by oil production from the Galoc field.

Highlights:

- Galoc production of 2.40MMbbl (0.45MMbbl net to Otto) during the year
- Exercise of farm-in option by BHP Billiton in Service Contract (‘SC’) 55 and Otto (through its wholly-owned subsidiary NorAsian Energy Ltd) lodgement of notice to enter drilling exploration sub-phase
- Completion of Duhat-1/1A exploration well drilling provides strong support for follow up in SC51
- Completion of 210 km² high quality 3D seismic acquisition over Lampos and Lampos South prospects in SC69
- Galoc joint venture approval in July 2011 to install an improved mooring and riser system upgrade for FPSO Rubicon Intrepid, crucial to progressing Phase 2 field development



1st oil

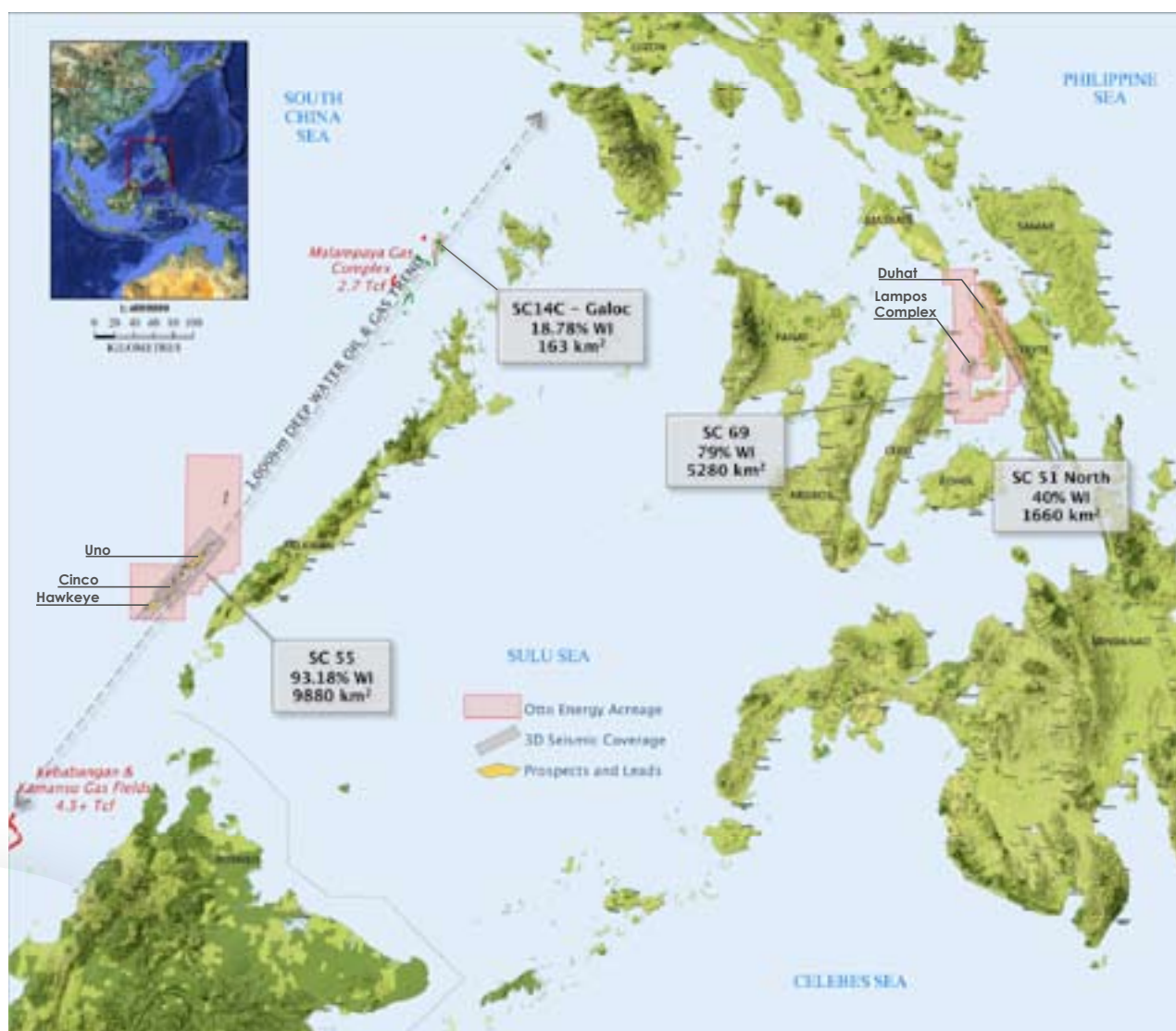
Production

Since the start-up of production in October 2008, the Galoc oil field has produced a total of 7.54 million barrels of crude oil as of 30th June 2011, and delivered 22 offtakes to refinery customers. As at the end of the June 2011 quarter, the field was producing around 6,750 barrels of oil a day.

Otto, through its shareholding in the field operator Galoc Production Company WLL (“GPC”), has commenced pre-planning activities for the further development of the Galoc field with a decision on Phase 2 due to be taken in mid 2012.

Exploration and Development

Interpretation of the recently acquired 3D seismic from SC 55, offshore Palawan, has matured the amplitude-supported Hawkeye prospect and a series of large Nido level carbonate prospects. The permit contains a significant number of high quality, large volume prospects that are being quickly matured for drilling by Otto and its partners. The JV has recently elected to enter the next permit sub-phase which requires a commitment well to be drilled prior to August 2012.



Production – Galoc Oil Field



Rubicon Intrepid with Support Vessels in field

2010/11 Highlights:

- Production of 2.4 MMbbl gross (450,791 bbl net to Otto) with field 12 month rolling uptime of 88%
- Delivery of seven offtakes to Asia Pacific refinery customers
- Joint venture commitment to upgrade the mooring and riser system for FPSO Rubicon Intrepid

Key Facts

Joint Venture Partners:

Name	Percentage
Galoc Production Company WLL (Operator)	
Owned by:	59.84473%
Otto Energy 31.38%	
Vitol Group 68.62%	
Nido Petroleum Philippines Pty Ltd	22.87952%
The Philodrill Corporation	7.21495%
Oriental Petroleum & Minerals Corporation/ Linapacan Oil Gas & Power Corporation	7.78505%
Forum Energy Philippines Corporation	2.27575%

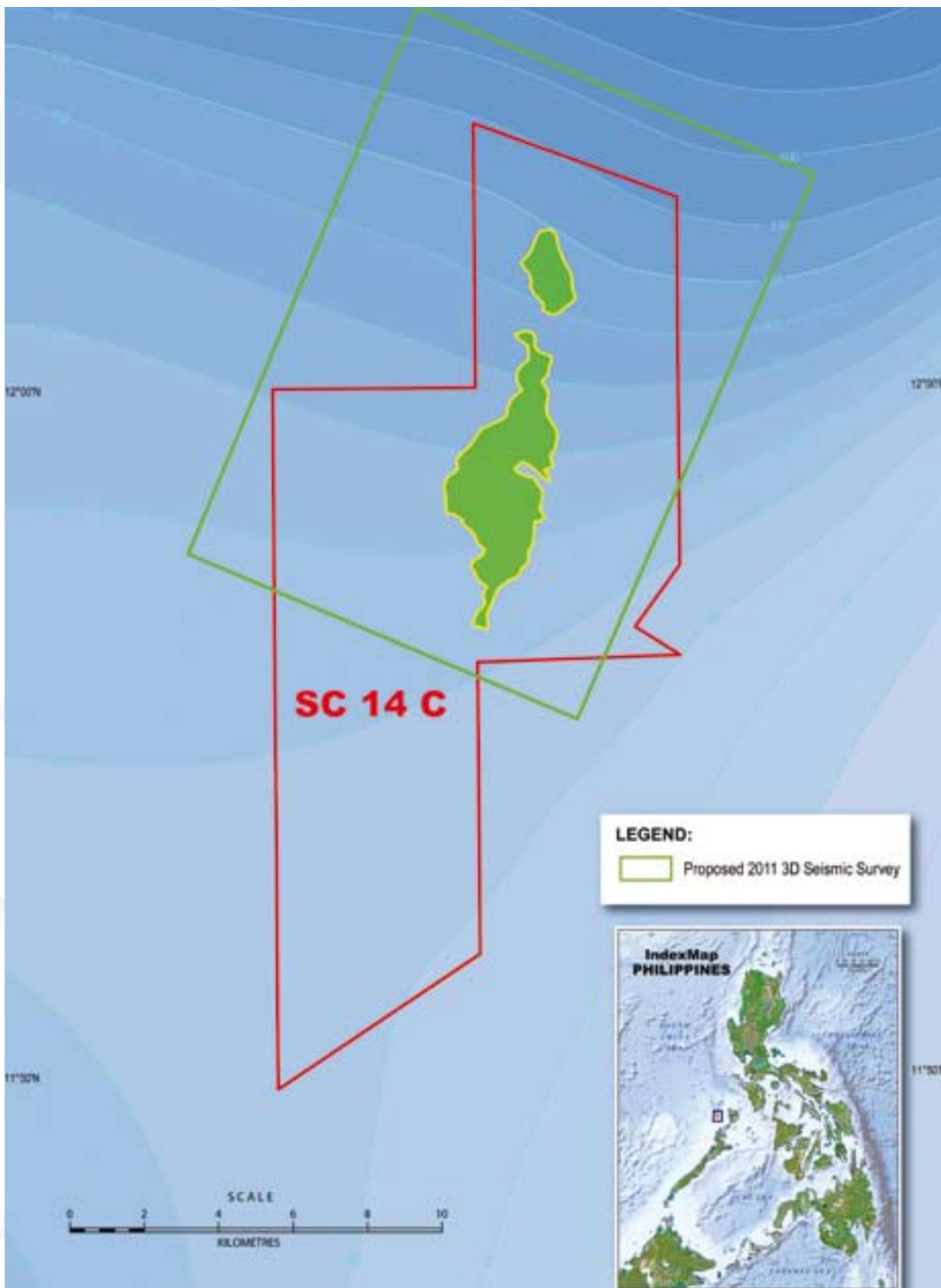
Background

The Galoc oil field is located in Palawan's proven oil and gas fairway in a water depth of approximately 290 metres (m) and started production in October 2008. Galoc crude is a 35° API oil existing in a turbidite sandstone reservoir at depths below sea level of approximately 2,100 metres and is produced via two horizontal production wells.

Operations Summary

Oil production over the past financial year totalled over 2.4 million barrels (gross) at an average daily rate exceeding 6,576 barrels of oil per day (bopd) with an annualised uptime of 88%. Cumulative to date production from the field exceeds 7.5 million barrels (gross). A total of 7 offtakes were delivered to Asia Pacific refinery customers in the financial year and 22 cargoes have now been delivered since production commenced.

At the time of report writing, daily production was around 6,750 bopd and on natural decline from an initial peak rate of 17,000 bopd via this solution gas drive reservoir.



SC 14C Galoc Location Map Proposed 3D Seismic

Service Contract 14C



Rubicon Intrepid in field

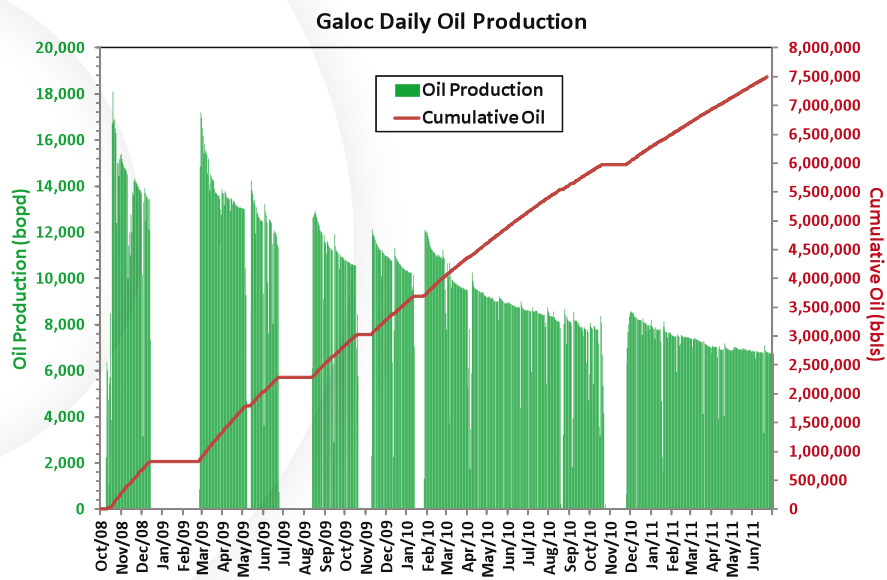
Summary of operating results are contained in the table below:

	Production bbls		Lifting's bbls		Uptime %	Rolling 12 Month Average
	Gross	Net	Gross	Net		
3rd Qtr 2010	687,771	129,163	697,437	130,979	92	89
4th Qtr 2010	442,819	83,161	239,964	45,065	61	84
1st Qtr 2011	651,551	122,361	706,038	132,594	98	87
2nd Qtr 2011	618,244	116,106	685,028	128,648	100	88

Further Development

The Galoc joint venture has recently approved an upgrade to install a new turret mooring system. The system will replace the current disconnectable arrangement and is expected to increase the FPSO operating uptime to in excess of 95% due to the enhanced and simplified single point mooring system.

The enhanced mooring and riser system is a crucial component of the infrastructure to enable the Galoc joint venture to move ahead with a Phase 2 development. The operator, GPC, has commenced pre-planning activities for the further development of the Galoc field.



Exploration – Philippines Offshore Palawan Basin

2010/11 Highlights:

- 3D seismic interpretation identifies significant portfolio of large and independent drilling targets – potential major new hydrocarbon province identified
- BHP Billiton farms to Service Contract 55 and becomes operator – Otto retains 33.18% equity
- Notice to elect to enter next sub-phase and drill the first offshore deepwater well issued

Key Facts about SC55:

Joint Venture Partners:

Name	Percentage
BHP Billiton Petroleum	60.00
OEL (through 100% subsidiary NorAsian Energy Ltd)	33.18
Trans-Asia Oil & Energy Development Corporation	6.82

Work Program:

Sub-Phase	Date	Commitment
3	Aug 09 – Aug 11	3D Seismic acquisition (completed)
4 (Election made to enter this sub-phase)	Aug 11 – Aug 12	1 Deepwater Well
5	Aug 12 – Aug 13	1 Deepwater Well
Extension Period	Further 3 years allowed	

Prospectivity:

A robust, diverse and extensive portfolio of exploration prospects and leads has emerged from the recent analysis of more than 2,400 km² of 3D seismic acquired in 2010. This portfolio has significant depth and variety and will present a high impact exploration drilling program for Otto over the remaining term of the exploration licence.

The recent 3D seismic provides clear evidence of a new hydrocarbon bearing play fairway being present over much of the licence area with direct hydrocarbon indicators (“DHI’s”) being observed in multiple locations. This area of South West Palawan has seen little historical offshore exploration drilling, and no deepwater offshore drilling has occurred to date. This is an exciting new frontier that has significant scale and potential, sitting between proven oil and gas fields to both the north and south.

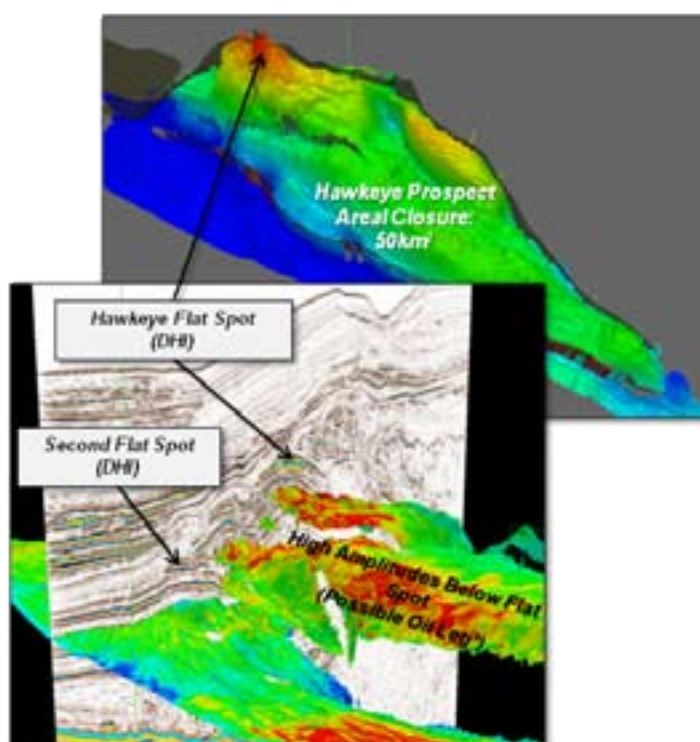
Oil prospects identified to date contain an estimated unrisked mean in place resource of 680 MMbbls. Gas prospects and leads identified to date contain an estimated unrisked mean recoverable resource of up to 19 Tcf plus a further 670 MMbbls of associated condensate. Importantly, the diversity in play types identified in the licence area will allow the drilling of multiple independent wells to test the prospectivity and potential of this block.

Importantly SC-55 contains both carbonate and sandstone reservoir targets in a variety of settings. The Hawkeye and Cinco prospects provide an indication of this diversity of play type and are the two most drill mature in the present portfolio.

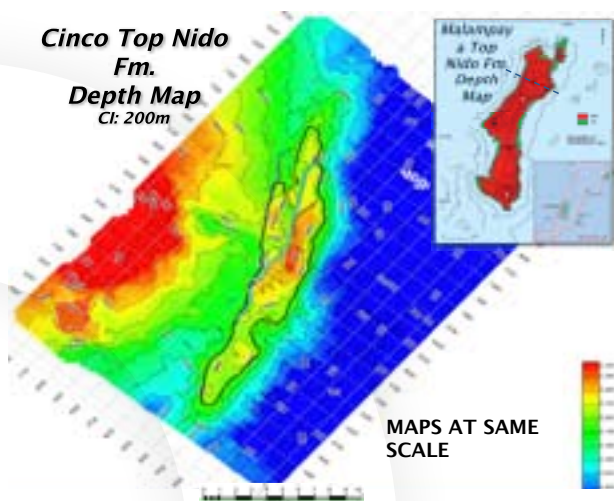
Hawkeye Prospect

The Hawkeye prospect is interpreted to be a large, relatively undeformed Miocene aged toe thrust, analogous to offset discoveries in Malaysia. The Miocene turbidite reservoir is likely to be tested by a well sitting in approximately 1700m of water. The prospect was first identified on vintage 2D seismic which was later followed up by the recent 3D seismic acquisition in early 2010. The 3D data has further matured the prospect to drillable status. Hawkeye is a well imaged, toe thrust structure of over 500m vertical relief, 50kms area with attendant DHIs. Multiple flat spots are evident with an associated oil column consistent with detailed rock property analysis.

Resource estimates at Hawkeye for oil in place range from 87 to 1,539 MMbbl with a mean of 680 MMbbls.



Hawkeye Prospect



Cinco Prospect

Cinco Prospect

The Cinco prospect is interpreted to be a large Nido level reef/platform carbonate build-up, which sits on a regional high block in water depth of approximately 1,400 metres. The reservoir is predicted at 3,120 metres sub sea floor. The recent 3D seismic acquired in early 2010 has identified a significant number of similar structures. A clear gas escape chimney is observed on seismic adjacent to Cinco reducing the risk of hydrocarbon charge into the structure. Success at Cinco would high grade many of the adjacent large analogue structures in the block and in combination they have the potential to unlock a large new gas province of LNG proportions.

There are a number of similarities between the Cinco prospect and the largest gas and condensate discovery in the Philippines, at Malampaya, which has been developed as the countries largest gas-to-power project. Both have Nido carbonate reservoir, sit on regional high blocks and have similar seismic character and volumetric capacity. Resource estimates at Cinco for in place gas range from 0.9 to 6.3 Tcf with a mean of 3.2 Tcf. Associated condensate would range from 21 to 151 MMbbls with a mean of 75 MMbbls.

Service Contract 55

Permit Background:

Licence

Service Contract 55 was awarded to NorAsian Energy Ltd in 2005. The initial seven year term is due to expire in August 2013. Two important deepwater exploration wells are committed to be drilled prior to the expiry of the initial period of the licence with a possible 3 year extension.

SC55 covers an area of 9,880 km² located in the southwest Palawan Basin. It is a deepwater block in the middle of a proven regional oil and gas fairway that extends from the productive Borneo offshore region in the southwest to the offshore Philippine production assets northwest of Palawan.

The exercise of an option to farm-in to SC55 by BHP Billiton was announced in May 2011. This significant commitment by BHP Billiton provides Otto with access to a proven deepwater offshore operator. The terms of the farm-in agreement will see Otto relinquish 60% working interest and operatorship to BHP Billiton in return for a carry on two deepwater offshore wells and reimbursement of prior costs incurred in the contract area.

Notice has been issued by the joint venture to the Department of Energy to enter sub-phase 4 commencing August 2011 and committing to the drilling of the first deepwater offshore well. This well is required to be drilled prior to August 2012.

Geology

The primary petroleum system in southwest Palawan comprises Eocene to Lower Miocene source rocks deposited in sub-basins that have expelled oil and gas into Oligocene and younger reservoirs of various trap styles.

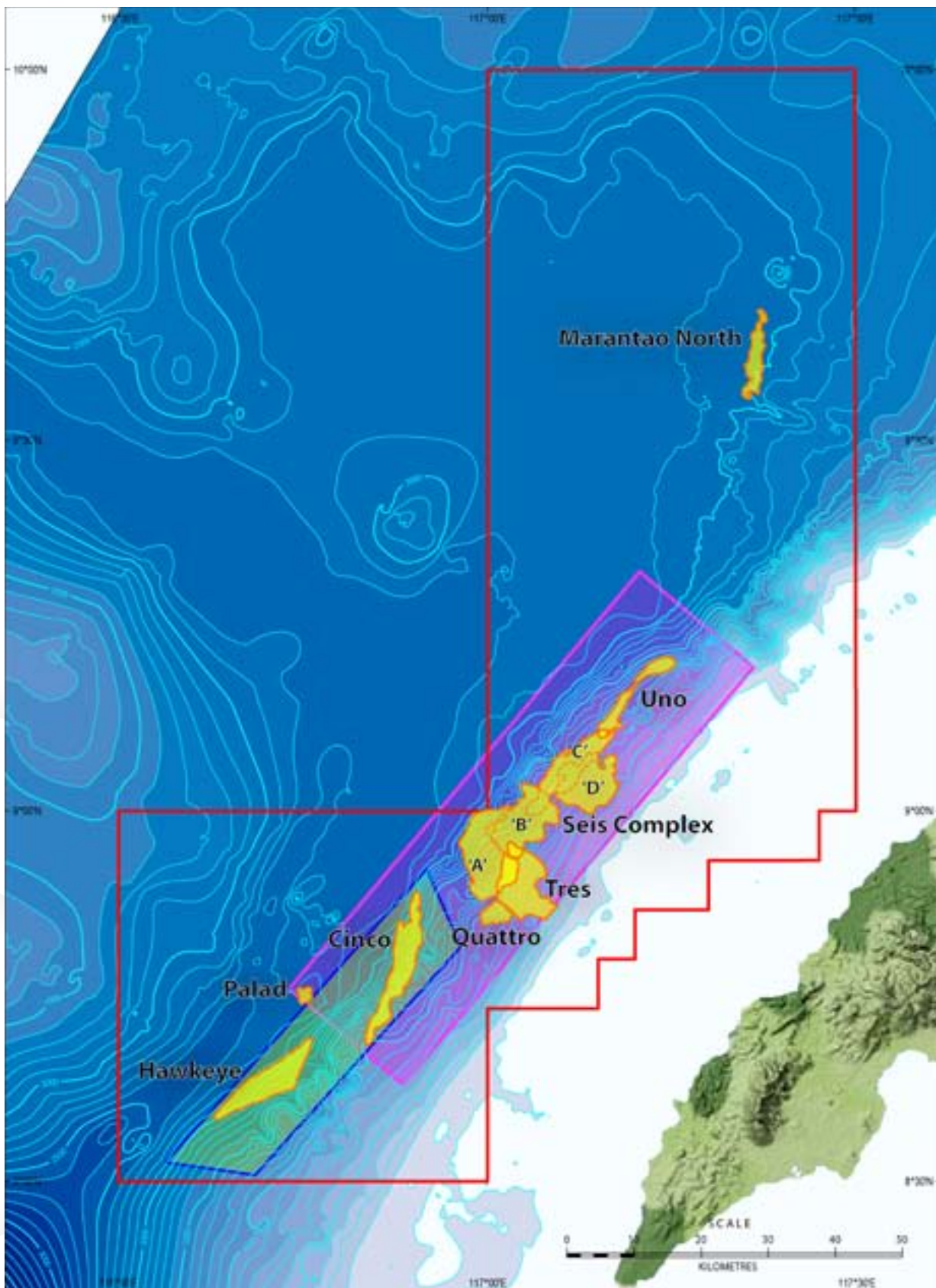
A variety of play types are present in SC55 ranging from carbonate reefs of Oligocene to Early Miocene age to folded and thrustured Mid-Miocene sediments. The latter form a series of toe-thrusts which are optimally located to receive hydrocarbons from the basin axis and or from mature sediments below adjacent imbricate thrusts. The toe-thrust area is analogous to several of the prolific hydrocarbon producing areas in West Africa and more locally Malaysia.

Otto has recently acquired in excess of 2400 km² of new 3D seismic data parallel to the prospective thrust and fold terrain. With the completion of processing and interpretation of this data a large number of attractive carbonate and sandstone reservoir targets have been identified in a variety of structural settings. This is complemented by the appearance of a number of DHI's on seismic ranging from extensive flat spots, gas chimneys and sea floor pock marks which reduce hydrocarbon charge risk significantly.

Reefal build ups at Cinco and adjacent features are analogous to those presently producing at Malampaya and Hawkeye has all the attributes of a significant discovery similar to those now developed in offshore Sabah.

Significant Regional Projects:

- Malampaya gas and condensate project, operated by Shell, offshore Palawan, Philippines
 - o Offshore gas and condensate project commissioned in 2001, produces approximately 2,700 megawatts of power for the main island of the Philippines, Luzon
- Kikeh oil project, operated by Murphy Oil Corporation, offshore Sabah, Malaysia
 - o Initial production in 2007 from Kikeh was 120,000 bbl per day – there are significant similarities between Hawkeye and the Kikeh development
- Kebabangan cluster of gas and condensate fields, operated by Kebabangan Petroleum Operating Company (Petronas, Shell and ConocoPhillips), offshore Sabah, Malaysia
 - o Large gas aggregation offshore Sabah with export to the Bintulu LNG plant, first gas expected by 2014 producing approximately 130,000 to 140,000 boe per day



SC55 – Service Contract 55 Boundary Area with the 2010 Seismic Survey Areas

Exploration – Philippines East Visayan Basin



BGP Explorer on Deck Operations

Service Contract 69 is Otto's most recently acquired Philippines offshore exploration licence, located in the Eastern Visayan Basin. Abundant oil seeps on the islands of Cebu and Leyte focused on-shore exploration in the 1950's to 1980's, with many drills exhibiting hydrocarbon shows. Whilst numerous wells have been drilled both on and off-shore, many have been drilled on poor quality 2D seismic data or are not valid tests, highlighting the under-explored nature of the East Visayan Basin.

In 2010, Otto acquired 760 km of 2D seismic over two carbonate build-ups identified from a precious seismic re-processing program. The data acquired from the successful 2D seismic campaign confirmed the presence of two sizeable reef structures, Lamos and Lamos South, in close proximity to the Calamangan Trough, modelled to generate both oil and gas. With a current geological probability of success (GPOS) at 14%, Otto's desire to de-risk these prospects to 'drillable' status led to the successful acquisition of 210 km² of 3D seismic in June of 2011. This seismic data is presently being processed.

Below estimates are for both Lamos and Lamos South prospects combined. These numbers are consistent with what has been previously published.

SC69 Block Participants

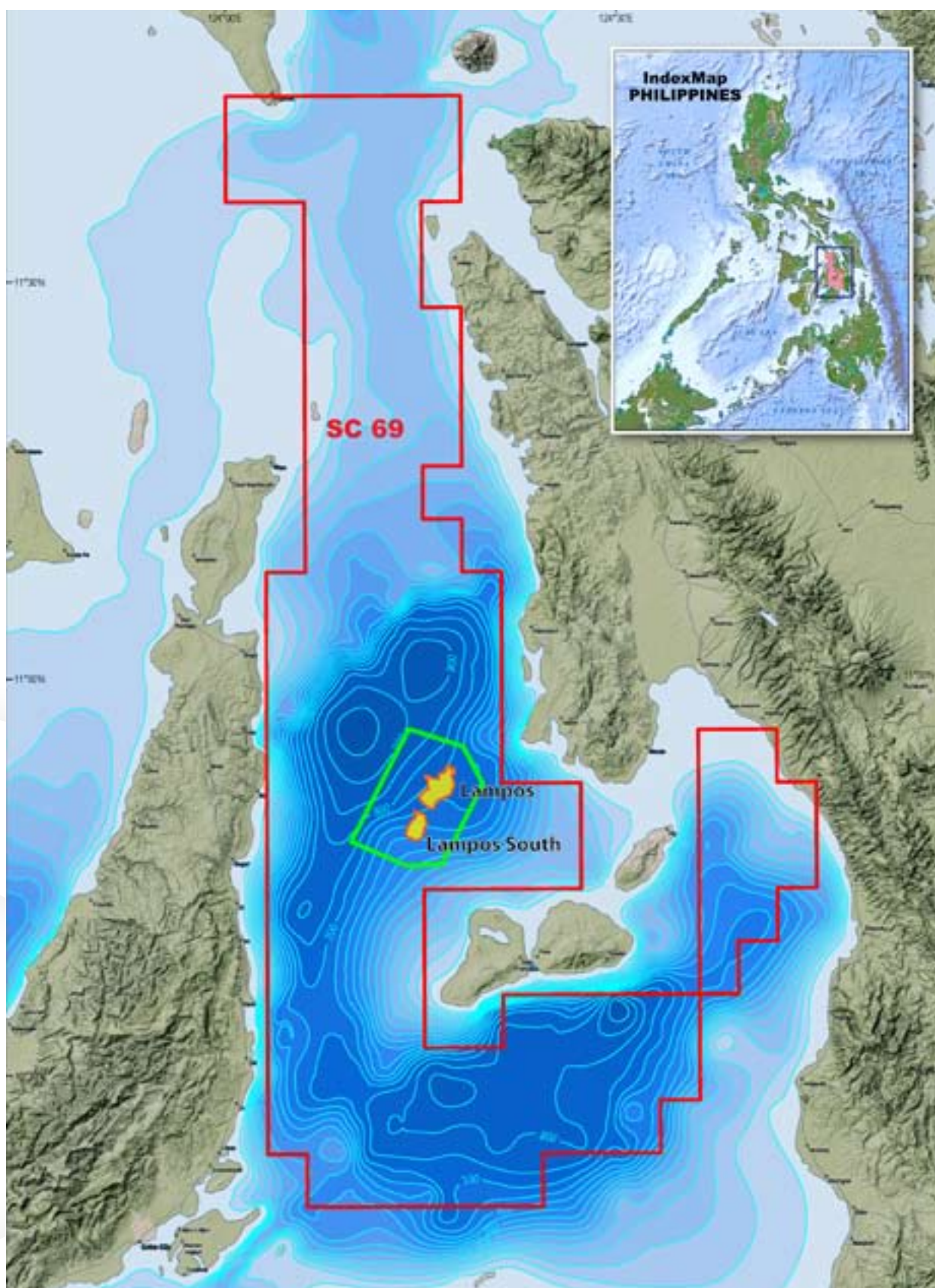
NorAsian Energy Limited (100% subsidiary of Otto)	79% and Operator
Trans-Asia Oil and Energy Development Corporation	21%

Estimates for Lamos and Lamos South Prospects

	OIL in Place	GAS in Place
P90	22 Mmbbls	32 Bcf
Mean	290 Mmbbls	380 Bcf
P10	713 Mmbbls	950 Bcf



BGP Explorer in Production



SC69 – Service Contract 69 Boundary Area with 2011 Seismic Survey Area Map.

Service Contract 51



Duhat-1 Rig setup nearing completion

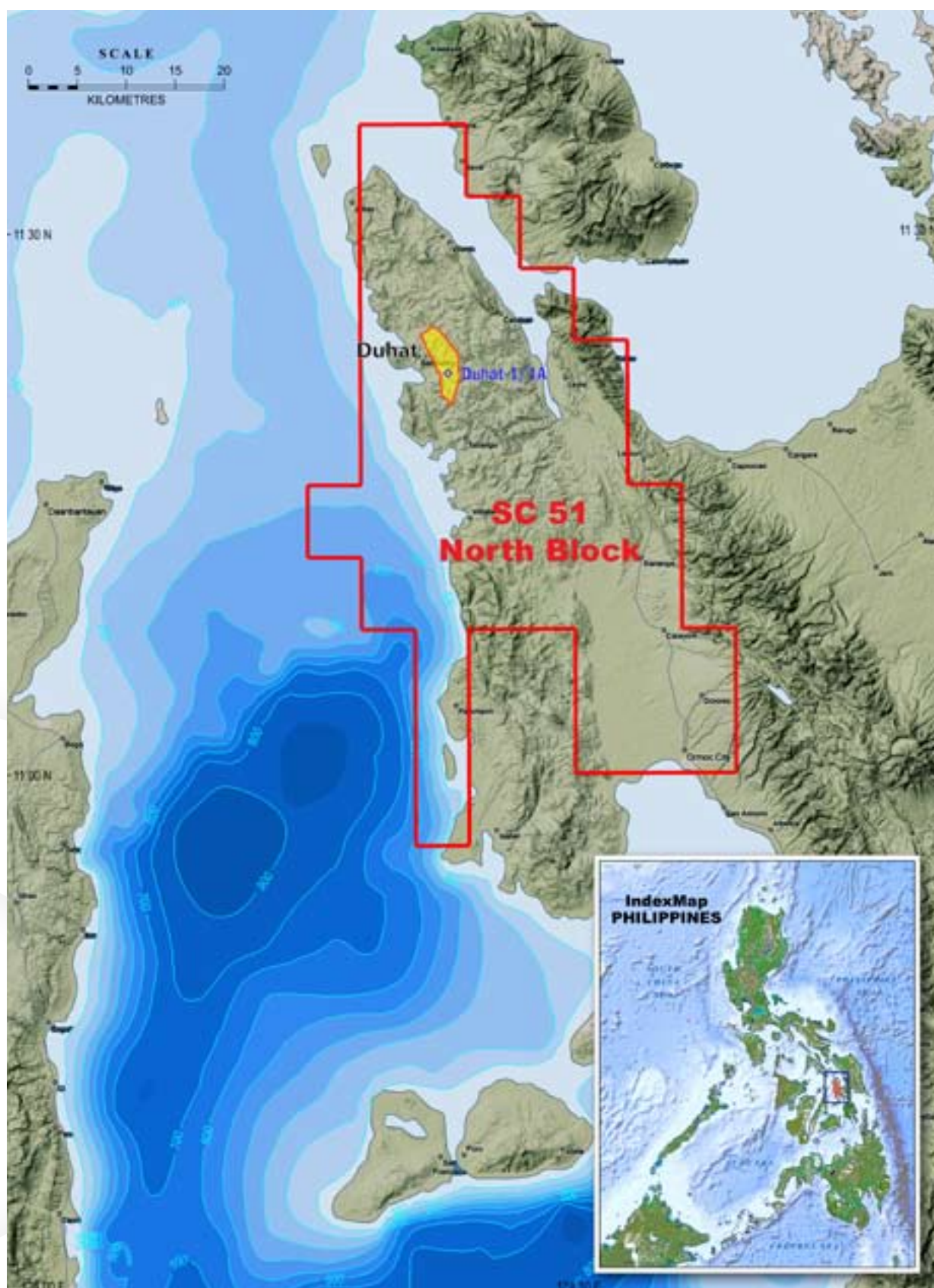
Service Contract 51 North is situated predominantly on-shore, on the northern tip of Leyte. Northern Leyte has been described by geologists as containing the most natural oil seeps in the Philippine archipelago, yet remains largely under-explored. In April of this year, the exploration well Duhat was drilled to test the Middle Miocene reservoirs of the San Isidro anticline. Mechanical issues in combination with unstable hole conditions ultimately led to the plugging and abandonment of the wellbore, yet provided useful and encouraging data on the petroleum system in the area. Data from the operation is presently being analysed, in which further work will be programmed.

SC51 Block Participants

	North	South
NorAsian Energy Limited (100% subsidiary of Otto)	40% and Operator	Operator
SWAN Oil and Gas Ltd	40%	80%
Alcorn Gold Resources Corporation	9.32%	9.32%
Trans-Asia Oil and Energy Development Corporation	6.67%	6.67%
PetroEnergy Resources Corporation	4.01%	4.01%



Ceremonial Spud Meeting



SC 51 North Location Map

Reserves and Contingent Resources Estimate

OTTO proved (1P) reserves as at 30 June 2011

1P Reserves ⁽²⁾ (Otto share) by Area				
	Crude Oil	Sales Gas	Sales Gas	Total
	Mbbl	Bcf	Mboe	Mboe
Philippines – Galoc Field (5)	0.48	0	0.00	0.48
TOTAL	0.48	0	0.00	0.48

OTTO proved and probable (2P) reserves as at 30 June 2011

Proven plus Probable (2P) Reserves ⁽³⁾ (Otto share) by Project Area				
	Crude Oil	Sales Gas	Sales Gas	Total
	Mbbl	Bcf	Mboe	Mboe
Philippines – Galoc Field (5)	1.18	0	0.00	1.18
TOTAL	1.18	0	0.00	1.18

OTTO contingent resources (2C) as at 30 June 2011

2C Resources (4) (Otto share) by Area				
	Crude Oil	Sales Gas	Sales Gas	Total
	Mbbl	Bcf	Mboe	Mboe
Philippines – Galoc Field (6)	0.85	0	0.00	0.85
TOTAL	0.85	0	0.00	0.85

Movement in reserve and resource categories
over the period 30 June 2010 – 30 June 2011

Reserves & Contingent Resources Summary						
	30-Jun-10	Production	Revisions & Exploration Success	Contingent Resources converted to Reserves	Acquisitions and Divestment	30-Jun-11
Galoc Field – SC14C	Mboe	Mboe	Mboe	Mboe	Mboe	Mboe
2P Reserves	0.91	0.38	0.65	–	–	1.18
2C Contingent Resources	1.13	–	(0.28)	–	–	0.85
TOTAL	2.04	0.38	0.37	–	–	2.03
Calaut Field – SC50	Mboe	Mboe	Mboe	Mboe	Mboe	Mboe
2P Reserves	–	–	–	–	–	–
2C Contingent Resources	4.85	–	–	–	(4.85)	–
TOTAL	4.85	–	–	–	(4.85)	–
Edirne Gas Project	Mboe	Mboe	Mboe	Mboe	Mboe	Mboe
2P Reserves	0.14	0.03	–	–	(0.11)	–
2C Contingent Resources	0.18	–	–	–	(0.18)	–
TOTAL	0.32	0.03	–	–	(0.29)	–
All Project Areas	Mboe	Mboe	Mboe	Mboe	Mboe	Mboe
2P Reserves	1.05	0.41	0.65	–	(0.11)	1.18
2C Contingent Resources	6.16	–	(0.28)	–	(5.03)	0.85
TOTAL	7.21	0.41	0.37	–	(5.14)	2.03

Reserves and Contingent Resources Estimate



Duhat-1 Rig Crew Checking Equipment

OTTO reserve estimates (30 June 2011)

Otto reports its petroleum reserve and resource estimates using definitions and guidelines published in the Society of Petroleum Engineers Inc./World Petroleum Congresses/American Association of Petroleum Geologists/Society of Petroleum Evaluation Engineers (SPE/WPC/AAPG/SPEE) Petroleum Resources Management System (March 2007).

Estimates of Galoc Reserves & Contingent resources are estimated by internal technical assessments and are supported by RISC independent audits undertaken in March 2011.

Otto's Reserve and Contingent resource estimates for the gas fields in the Edirne licence have been sold during 2010/11 and hence all Reserves and Resources are reported as being disposed.

Otto reports reserves net of the petroleum required for processing and transportation to the customer, and in the case of Service Contracts (such as the Philippines), net of the "Government Share". Reserves reported are based on, and accurately reflect, information compiled by full-time employees of the Company who have the requisite qualifications and experience prescribed by the ASX Listing Rules.

Rounding errors can occur in aggregation of numbers.

Revision may result from previous estimates of oil & gas volumes which have been altered due to changing economic conditions and/or the addition of new technical data or new technical interpretations.

Major changes since 30th June 2010

Galoc

The Galoc “gross” 2P Reserve estimate at 30 June 2011, was 7.19Mbbbl. Of this, Otto assess that 6.24Mbbbl is the “Contractor Share” (Gross) and 0.95Mbbbl is the “Government Profit Oil Share” (Gross). Government share has increased since 2010 due to higher oil price forecasts going forward. Otto reports it’s effective working interest of the Contractor Share of the Reserves (2P = 1.18Mbbbl).

2P Reserves & Contingent Resources in 2011 have been adjusted to reflect the latest reservoir modelling and predicted outcomes from a proposed Phase 2 development.

Calauit

The Calauit licence (SC50) was relinquished during 2010/11 and hence the 2C Contingent Resource has been removed.

Edirne Licence

The Edirne licence was sold during 2010/11 and hence all Reserves and Resources are reported as being disposed.

Notes to the Reserves Statement:

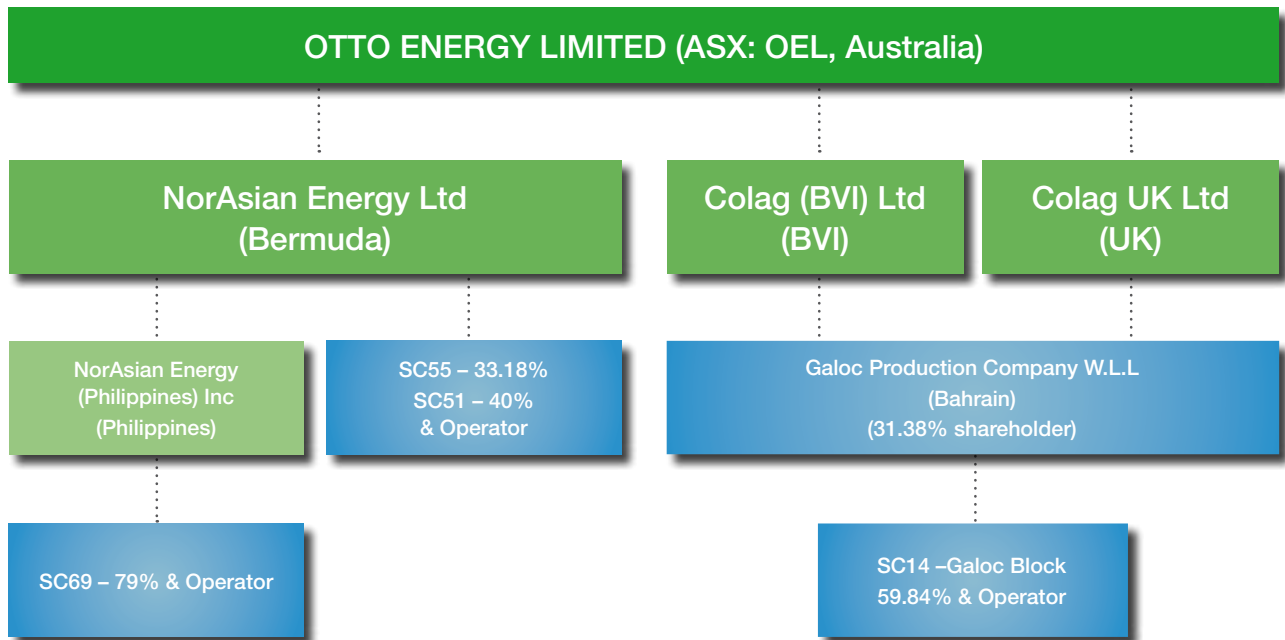
1. Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied.
2. Proven (1P) reserves are those reserves that, to a high degree of certainty (90% confidence), are recoverable. There is relatively little reservoir risk associated with these reserves. Proven developed reserves are reserves that can be recovered from existing wells with existing infrastructure and operating methods. Proven undeveloped reserves require development.
3. Proven plus Probable (2P) reserves are those reserves that analysis of geological and engineering data suggests are more likely than not to be recoverable. There is a circa 50% probability that reserves recovered will exceed Proven plus Probable reserves.
4. Contingent Resources are those quantities of hydrocarbons which are estimated, on a given date, to be potentially recoverable from known accumulations, but which are not currently considered to be commercially recoverable. Contingent Resources may be of a significant size, but still have constraints to development. These constraints, preventing the booking of reserves, may relate to lack of gas marketing arrangements or to technical, environmental or political barriers. 2C Contingent Resources are where there is circa 50% probability that the quantities exceed this estimate. Contingent Resources do not always mature to Reserves and do not necessarily represent future Reserves bookings.
5. The Philippines “Government Share” of Galoc 1P and 2P Reserves has been deducted from Otto’s indirect interest (18.78%).
6. The “Government Share” has not been determined for “2C Resources” as these resources are not subject to a development plan.
7. “Mbbbl” means millions (10^6) of barrels of oil at standard oilfield conditions of 14.696 psi (101.325kPa) and 60° Fahrenheit (15.56° Celsius).
8. “Bcf” means billions (10^9) of cubic feet of gas at standard oilfield conditions of 14.696 psi (101.325kPa) and 60° Fahrenheit (15.56° Celsius).
9. “Mboe” means millions (10^6) of barrels of oil equivalent. In common with international practice, dry gas volumes are converted to oil equivalent volumes via a constant conversions factor, for which Otto adopts 6 Bcf of dry gas to one Mboe.
10. Unless otherwise stated, reserve and resource estimates are net to Otto.

Governance

The Reserve Statement has been compiled by Mr. Nick Pink, Otto’s Senior Reservoir Engineer, who is a full-time employee of the company. Mr. Pink has more than 12 years of relevant experience and is qualified in accordance with the ASX Listing Rule 5.11. Mr Pink has consented to the form and context that this statement appears.

Summary of Assets

Asset / Service Contract	OEL Working Interest	Joint Venture Partners	Notes
The Philippines			
SC51 Exploration block, East Visayan Basin	40% (Northern Block) (Operator)	Alcorn Gold Resources Trans-Asia Oil & Energy PetroEnergy SWAN Oil and Gas	9.32% 6.67% 4.01% 40% Otto/NorAsian and SWAN Oil and Gas are carrying Filipino partners through acquisition of a minimum 100 line kilometres of onshore 2D seismic in the Northern Block. If a decision to enter Sub-Phase 5 is made, the Filipino partners will be carried through drilling of an onshore well. There is a 1% Gross Overriding Royalty to RGA on Otto/NorAsian's share.
SC55 Exploration block, Southwest Palawan Basin	33.18%	BHPB Petroleum (Operator) Trans-Asia Oil & Energy	60% 6.82% Otto/NorAsian carrying Filipino partner through drilling of two wells. BHP Billiton has exercised an option to farm-in for 60% equity. BHPB Billiton to carry 100% of first well and 85% of second well. BHPB may elect to not drill the second well in which case 30% equity and Operatorship are returned to Otto/NorAsian. There is a 1% Gross Overriding Royalty to RGA on Otto/NorAsian's share. TransAsia also has a right to acquire an additional 5% equity from Otto/NorAsian Energy
SC69 Exploration block, East Visayan Basin	79% (Operator)	Trans-Asia Oil & Energy	21% Otto/NorAsian carrying 6% of Filipino partners equity through 50% of 3D seismic survey in 2011 and first well. No royalties exist
SC14C – Galoc Block Northwest Palawan	18.77% indirect interest through a 31.38% shareholding in Galoc Production Company WLL (GPC)	GPC (Operator) Nido Petroleum Phil Co's	59.84% 22.88% 17.3% A subsidiary of the Vitol Group owns the remaining stake in GPC (68.62%). Subsequent to year end, Otto has undertaken to acquire the remaining shares in GPC held by the Vitol group. Otto has agreed to cause GPC to on sell, on the same per percentage point terms, a 26.84% working interest to Risco Energy.



Company Highlights

		Otto Net Share			Gross Field		
		2010/11	2009/10	Change (%)	2010/11	2009/10	Change (%)
Galoc Oil Field							
• Production	bbl	450,791	536,943	(16.0%)	2,400,385	2,859,120	(16.0%)
• Lifting	bbl	437,286	545,127	(19.8%)	2,328,467	2,902,058	(19.8%)
• Receipts from GPC	US\$m	\$17.288m	\$29.474m	(41.3%)			
Corporate							
• Closing Cash	US\$m	\$35.584m	\$29.605m				
• Shares on issue	No.	1,134,540,071	1,134,540,071				
• Options on issue	No.	48,000,000	57,750,000				
• Closing Share Price	A\$	\$0.088	\$0.09				
• Market Capitalisation	A\$m	\$99.839m	\$102.108m				

(1) "bbl" means barrels of oil

(2) "Mscf" means million standard cubic feet

(3) "mscf" means thousand standard cubic feet

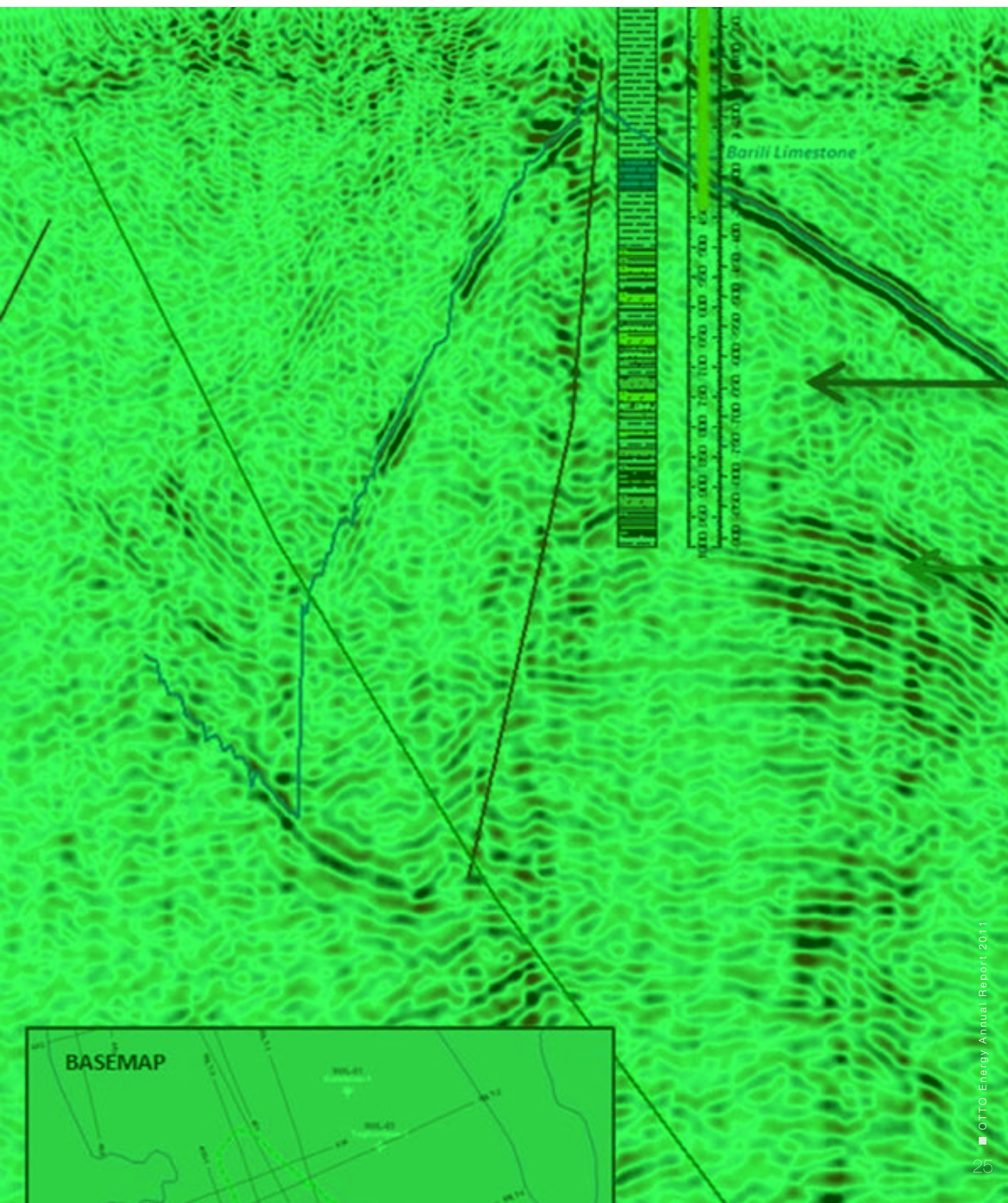
(4) "boe" means barrels of oil equivalent. In common with international practice, dry gas volumes are converted to oil equivalent volumes via a constant conversion factor, for which Otto adopts 6 mcf of dry gas to one boe

(5) "\$M" means millions of dollars

(6) "bopd" means barrels per day



MV Northern Ice



Corporate Directory

Directors

Mr Rick Crabb – Non-Executive Chairman
Mr Rufino Bomasang – Non-Executive Director
Mr John Jetter – Non-Executive Director
Mr Ian MacIver – Non-Executive Director
Mr Ian Boserio – Non-Executive Director

Company Secretary

Mr Matthew Allen

Executive Management

Mr Matthew Allen – Chief Financial Officer
Mr Paul Senyia – Exploration Manager
Mr Ross Prasser – Philippines Country Manager

Registered and Head Office

32 Delhi Street
West Perth WA 6005
Tel: +61 8 6467 8800
Fax: +61 8 6467 8801

Website

www.ottoenergy.com

Auditors

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008
Tel: +61 8 6382 4600
Fax: +61 8 6382 4601

Share Registry

Link Market Services Limited
178 St Georges Terrace
Perth WA 6000
Tel: +61 8 9211 6670
Fax: +61 2 9287 0303

Home Stock Exchange

Australian Securities Exchange
Level 2, Exchange Plaza
2 The Esplanade
Perth WA 6000
ASX Code: OEL

Banks

Westpac Banking Corporation
Level 17, 109 St Georges Terrace,
Perth WA 6000
Tel: +61 8 9426 2595
Fax: +61 8 9426 2288

HSBC

188-190 St Georges Terrace
Perth WA 6000
Tel: +61 8 9320 9822
Fax: +61 8 9320 9820

Your Directors present their report on the consolidated entity ("Otto Energy" or "Group"), consisting of Otto Energy Limited ("the Company") and the entities it controlled at the end of, or during, the financial year ended 30 June 2011.

Directors

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

Mr Rick Crabb

Mr Rufino Bomasang

Mr John Jetter

Mr Ian Macliver

Mr Ian Boserio – appointed 2 September 2010.

Mr Paul Moore – resigned 1 July 2011.

Dr Jaap Poll – resigned 22 November 2010.

Mr John Zadnik (Alternate for Mr Rick Crabb) – resigned 2 September 2010.

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary

Mr Matthew Allen was appointed to the role of Company Secretary replacing Emma McCormack on 14 July 2010.

Principal Activities

The principal activities of the Group during the financial year were investment in oil and gas exploration and development in Turkey and the Philippines.

The following significant change in the nature of the activities of the group occurred during the year:

- The group sold its 35% investment in Erdine Enerji Limited and withdrew from Turkey for a consideration of USD \$3,100,000.

Operating Results

The profit of the Group for the financial year, after providing for income tax, amounted to US\$12,403,679 (2010: loss of US\$32,103,380). This result is after recognising an unrealised foreign exchange gain of US\$33,804 (2010: gain of US\$558,370).

Dividends Paid or Recommended

The Directors recommend that no dividend be paid for the year ended 30 June 2011, nor have any amounts been paid or declared by way of dividend since the end of the previous financial year.

Review of Operations

A review of the operations of the Otto Energy group during the financial year and the results of those operations will be set out in the annual report refer to pages 2 – 22.

Significant Changes in State Of Affairs

As of 1 July 2010, effective for the reporting period ending 30 June 2011, the Board of Otto Energy Limited has determined that the Company's functional currency is US dollars. The change in Otto's functional currency is not expected to have a material impact on future earnings. Prior year's balances have been converted to US dollar for comparative analysis.

After Reporting Date Events

Otto Energy Ltd advises that it has entered into various definitive agreements to increase its stake in the producing Galoc Oil Field offshore the Philippines from an indirect 18.78% to direct 33.00% under Service Contract 14C ("Galoc"). Otto will assume 100% ownership of the Operating Company of the field, which is currently producing 6,800 oil barrels per day, on a 100% basis.

Under the terms of the transaction, Otto has agreed to acquire a 68.62% interest in the Galoc Production Company WLL ("GPC"), the operator of Galoc, from Vitol Group, increasing Otto's interest in GPC from 31.38% to 100%. Through the acquisition Otto will initially increase its stake to 59.84% of Service Contract 14C. Otto has then agreed to cause GPC to on-sell, on the same per percentage point terms, 26.84% of this stake to Singapore energy investment company Risco Energy Pte Ltd, bringing Otto's post acquisition stake in Galoc to 33.00%. This transaction is subject to relevant Philippines government approvals.

The effective date of the purchase agreement is 1 April 2011. The total purchase price for Otto's share of the purchase price is US\$18.7 million. The acquisition will be funded from Otto's existing cash reserves. Completion is scheduled to occur prior to 30 September 2011.

Directors' Report

Future Developments, Prospects and Business Strategies

To further improve the Group's financial position and maximise shareholders wealth, the following developments are intended to be implemented:

In the Philippines, Otto, through its wholly owned subsidiary NorAsian Energy, will continue with exploration programs in each of its Service Contract areas. These programs include both drilling and where appropriate, further seismic acquisition and interpretation work. A Phase II development at the Galoc Oil Field is also being reviewed and matured by the Company and GPC. This may involve an additional two wells to boost production and access undeveloped reserves.

These developments are expected to assist in the achievement of the Group's short-term goals to create a successful oil company with sustained cash flow to fund its ongoing financial requirements with minimum equity dilution.

Information on Directors and Other Key Management Personnel

Mr Rick Crabb

Chairman (Non-Executive)

Qualifications

BJuris (Hons); LLB; MBA

Experience

Mr Rick Crabb holds degrees in law and business administration from the University of Western Australia. He practised as a solicitor from 1980 to 2004, specialising in resources, corporate and commercial, with considerable offshore experience. Mr Crabb now focuses on his public company directorships and investments.

Interest in Shares and Options (at 29 Sept 2011)

16,995,052 ordinary shares of Otto Energy Limited.

Special Responsibilities

Audit and Compliance

Directorships held in other listed entities

During the past three years Mr Crabb's directorships in other listed entities are as a Director of Golden Rim Resources Limited from 22 August 2001, Ashburton Minerals Limited from 1 September 1999, Paladin Energy Limited from 8 February 1994, former Director of Royal Resources Limited from 23 February 2004 to 11 August 2009, Director of Port Bouvard Limited from 2 December 1996 to 23 April 2009 and Thundelarra Exploration Limited from 8 September 2003 to 13 June 2007.

Mr John Jetter

Director (Non-Executive)

Qualifications

B. Law, B. Econ, INSEAD

Experience

Mr Jetter has extensive international finance and M&A experience being 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. He held various senior positions with JP Morgan throughout Europe, during which time he focused his attention on major corporate clients and advised on some of Europe's largest corporate transactions. He also held a number of other board positions including Chairman of the Board of Rodenstock AG, Germany, Deputy Chairman of the Board of European Business School and Chairman of the Finance Facility, Oestrich-Winkel, Germany.

Interest in Shares and Options (at 29 Sept 2011)

19,089,175 ordinary shares of Otto Energy Limited and options to acquire 3,000,000 ordinary shares.

Directorships held in other listed entities

During the past three years, Mr Jetter's directorships in other listed companies are as a Non-Executive Director of Venture Minerals Limited since 8 June 2010.

Mr Ian MacIver

Director (Non-Executive)

Qualifications

B.Com, CA, F Fin, MAICD

Experience

Mr MacIver is Managing Director of Grange Consulting Group Pty Limited which provides specialist corporate advisory services to both listed and unlisted companies. He has many years experience as a senior executive and Director of both resource and industrial companies, with particular responsibility for capital raising and other corporate initiatives. Mr MacIver is a Director of various listed and unlisted companies and is the Chairman of the Company's Audit and Compliance Committee.

Interest in Shares and Options (at 29 Sept 2011)

5,299,721 ordinary shares of Otto Energy Limited.

Special Responsibilities

Audit and Compliance

Directorships held in other listed entities

During the past three years Mr MacIver's directorships in other listed entities are Chairman of Stratatel Limited since July 2000, Non-Executive Director of Select Vaccines Limited since September 2010, Mount Gibson Iron Limited since February 2001 and Car Parking Technologies Limited

(formerly Empire Beer Group Limited) since 23 May 2006 and former Director of Port Bouvard Limited from December 1994 to 12 April 2011.

Mr Ian Boserio

Director (Non-Executive)

Qualifications

B.Sc Hons (Geophysics), B.Sc Hons (Geology)

Experience

Mr Boserio brings more than 25 years international experience in the oil and gas business focusing predominantly on exploration. He has spent the majority of his career with Shell including roles in Australia, North Sea, Middle East, India and Indonesia, and five years with Woodside as the Australia exploration manager. Mr Boserio's last position at Shell was as the Australian new business manager, prior to that he led the Shell Australia and New Zealand exploration team growing its gas portfolio for LNG development.

Mr Boserio has a Bachelor of Science from the Victoria University of Wellington, New Zealand. He has honours in Geology and Geophysics.

Interest in Shares and Options (at 29 Sept 2011)

330,000 ordinary shares of Otto Energy Limited and options to acquire 3,000,000 ordinary shares.

Special Responsibilities

None

Directorships held in other listed entities

During the past three years, Mr Boserio's directorships in other listed companies are as Non-Executive Director of Nexus Energy Limited since November 2009.

Mr Rufino Bomasang

Director (Non-Executive)

Qualifications

BSc (Min.Eng), Master in Business Economics (Phil)

Experience

Mr Bomasang is a mining engineer, having worked in recent years as an International Energy and Mining Consultant, focusing on the development of untapped indigenous energy resources in the Philippines. From 1996 to 2004 Mr Bomasang was President and CEO of Philippine National Oil Company-Exploration Corporation (PNOC-EC), where he was responsible for top level management of PNOC-EC's operations. Mr Bomasang previously worked with the United States Agency for International Development as an Energy Consultant, providing technical assistance to the Philippine Department of Energy and as Senior Advisor to the Department of

Energy Gas Office. Mr Bomasang is currently Non-Executive Chairman of NorAsian Energy Limited, a subsidiary of Otto Energy Limited.

Interest in Shares and Options (at 29 Sept 2011)

Nil

Special Responsibilities

None

Directorships held in other listed entities

Mr Bomasang has not been a Director of any other Australian listed entities in the past three years.

Mr Matthew Allen

Chief Financial Officer and Company Secretary

Qualifications

B.Bus, CA, F Fin and MAICD.

Experience

Mr Allen has over 17 years experience in the finance and accounting industry including exposure to public practice, aviation and oil and gas sectors. The past 9 years have been spent in the upstream oil and gas industry in Woodside Energy Ltd and Otto Energy Ltd. Mr Allen has been responsible for many facets of finance in upstream oil and gas companies including joint venture management, treasury risk management, debt capital raising, insurance and risk management, financial control and reporting. Execution of corporate acquisitions and divestments and joint venture farm in/out transactions have also been a strong part of Mr Allen's experience. Mr Allen has had exposure in Australia, the Middle East and North/West Africa and has strong experience in the management of listed corporations including corporate governance practices.

Interest in Shares and Options (at 29 Sept 2011)

Options to acquire 7,000,000 ordinary shares of Otto Energy Limited.

Special Responsibilities

None

Dr Jaap Poll

Director (Non-Executive)

Qualifications

BSc, MSc and PhD Geology

Experience

Dr Jaap Poll is a geologist with a distinguished 40 year career in petroleum exploration and production management worldwide. He has a PhD in Structural Geology, is an Accredited Member of the American Association of Petroleum Geology (AAPG), a Distinguished Member of the Petroleum Exploration Society of Australia (PESA) and is an accredited arbitrator and mediator.

Directors' Report

Dr Poll has extensive work experience in the Middle East, Europe, Central and South America, Africa, Asia and Australia and is the founder of the company.

Interest in Shares and Options (at 29 Sept 2011)

14,794,206 ordinary shares of Otto Energy Limited.

Special Responsibilities

None

Directorships held in other listed entities

Dr Poll has not been a Director of any other Australian listed entities in the past three years.

Mr John Zadnik

Alternate Director for Mr Rick Crabb (Non-Executive)

Qualifications

Dip. Cart, Dip. Eng Surv, Dip. RE Management, Lic. Surv

Experience

Mr Zadnik is a licensed cadastral, mining and engineering surveyor, real estate developer and project manager. Mr Zadnik has been involved in the mining industry for 40 years, including the formation and management of several listed and unlisted public companies in Australia and Canada. He has successfully managed his own group of companies for 40 years and is an experienced Director.

Interest in Shares and Options (at 29 Sept 2011)

6,757,747 ordinary shares of Otto Energy Limited.

Special Responsibilities

Alternate Director for Mr Rick Crabb

Directorships held in other listed entities

Mr Zadnik has not been a Director of any other Australian listed entities in the past three years.

Mr Paul Moore

Managing Director

Qualifications

BSc (Hons) Eng, MBA, C.Eng, FIMMM, FAICD, SPE member

Experience

Mr Moore has extensive experience in the oil and gas industry with 27 years in operating oil and gas companies, including 17 years in executive management roles. Mr Moore has an international track record in oil/gas field developments and in new business growth. Mr Moore has a Masters of Business Administration (MBA) from the University of Strathclyde, Scotland. He is a Member of the Society of Petroleum Engineers (SPE), Fellow of the AICD (FAICD) and of the Institute of Materials, Minerals and Mining (UK) (FIMMM) and is a Chartered Engineer (C.Eng).

Interest in Shares and Options (at 29 Sept 2011)

1,250,000 ordinary shares of Otto Energy Limited, performance rights of 10,000,000 and options to acquire 11,500,000 ordinary shares.

Special Responsibilities

Chief Executive Officer

Directorships held in other listed entities

Mr Moore has not been a Director of any other Australian listed entities in the past three years.

Remuneration Report

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation

The information provided in this remuneration report has been audited as required under Section 308 (3)c of the Corporations Act 2001.

A. Principles used to determine the nature and amount of remuneration

The remuneration policy of Otto Energy Limited has been designed to align Director and Other Key Management Personnel objectives with shareholder and business objectives. The Board of Otto Energy Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best Other Key Management Personnel and Directors to run and manage the Group, as well as create goal congruence between Directors, Other Key Management Personnel and shareholders.

Effective for the reporting period ending 30 June 2011 the Company's functional and presentation currency is US dollars, all figures represented in the Remuneration Report is in Australian dollar.

The Board's policy for determining the nature and amount of remuneration for Board members and senior Other Key Management Personnel of the Company is as follows:

Non-Executive Directors, executive Directors and Other Key Management Personnel receive a base salary (which is based on factors such as length of service and experience), which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles, as well as employer contributions to superannuation funds.

Executive Directors can be employed by the Company on a consultancy basis in conjunction with Board approval, with remuneration and terms stipulated in individual consultancy agreements.

The Board reviews Other Key Management Personnel packages annually by reference to the Company's performance, Executive performance and comparable information from industry sectors and other listed companies in similar industries. In addition, external consultants may be used to provide analysis and advice to ensure the Directors and senior Other Key Management Personnel's remuneration is competitive in the market place.

Directors and Other Key Management Personnel receive a superannuation guarantee contribution required under the Australian superannuation guarantee legislation which is currently 9%. However, some individuals may choose to sacrifice a portion of their salary to increase payments towards superannuation.

All remuneration paid to Directors and Other Key Management Personnel is valued at the cost to the Company and expensed. Shares issued to Directors and Other Key Management Personnel as part of their remuneration are valued as the difference between the market price of the issued shares and the amount paid by the Director or Other Key Management Personnel. Options over ordinary shares are valued using the Black-Scholes methodology. Performance rights are valued at the market value of the share on that same day they are issued.

The Employee Option Plan is designed to incentivise Directors and Employees and its subsidiaries, to provide continuity of service to the company and to increase profitability and returns to shareholders.

The Performance Rights Plan is a long term incentive aimed at creating a stronger link between employee performance and reward and increasing shareholder value by enabling participants to have a greater involvement with and share in the future growth and profitability of the company.

The Board policy is to remunerate Non-Executive Directors at market rates for comparable companies based upon time, commitment and responsibilities. Non-Executive Director remuneration is reviewed annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Director is subject to approval by shareholders at the Annual General Meeting.

Fees for Non-Executive Directors are not linked to the performance of the Group. Non-Executive Directors do not receive any retirement benefits other than superannuation. The Non-Executive Directors are not required to hold any shares in the Company under the Constitution of

the Company; however, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company.

The Board believes that it has implemented suitable practices and procedures that are appropriate for an organisation of this size and maturity.

Base Salary

Base salary may include a combination of cash and prescribed non-financial benefits at the Executive's discretion.

Other Key Management Personnel are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for Other Key Management Personnel is reviewed annually to ensure the Other Key Management Personnel's pay is competitive with the market. An Executive's pay is also reviewed on promotion. There is no guaranteed base pay increases included in any Other Key Management Personnel contracts.

Bonuses

Bonuses to Directors and Other Key Management Personnel are paid based upon unspecified performance criteria as determined by the Board from time to time.

Remuneration Committee

During the year ended 30 June 2011, the Group formed a separate nomination and remuneration committee.

Remuneration Structure

In accordance with best practice corporate governance, the structure of Non-Executive Director and Other Key Management Personnel remuneration is separate and distinct.

Directors' Remuneration

The Non-Executive Directors are entitled to receive Directors' fees of amounts determined by the shareholders of the Company at the Annual General Meeting. The Non-Executive Directors of the Company are entitled to receive Directors' fees in such amounts (as determined by the Directors) in aggregate not to exceed A\$500,000 (approved at January 2008 EGM as A\$500,0000), to be divided among Non-Executive Directors as the Directors may agree and in the absence of agreement then equally, until otherwise determined by shareholders at the Annual General Meeting.

The Directors have resolved that Non-Executive Directors' fees based in Australia are AUD\$75,000 per annum (inclusive of superannuation) for each Non-Executive Director and AUD\$125,000 per annum (inclusive of superannuation) for the Non-Executive Chairman. Non-Executive Directors may also be remunerated for additional specialised services performed at the request of the Board and reimbursed for reasonable expense incurred by Directors on Company business.

Directors' Report

Executive Director and Key Management Personnel Remuneration

The Company aims to reward Other Key Management Personnel with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- Reward Other Key Management Personnel for Company performance;
- Align the interest of Other Key Management Personnel with those of shareholders; and
- Ensure total remuneration is competitive by market standards.

B. Details of remuneration

Amounts of remuneration

Details of the remuneration of the Director and Other Key Management personnel of the Group of Otto Energy Limited and its controlled entities are set out in the following tables.

The Key Management Personnel of the Group are as follows:

Name	Position Held	Key Appointment Date
Directors		
Mr Rick Crabb	Non-Executive Chairman	Appointed 19 November 2004
Mr Paul Moore	Managing Director	Appointed 1 July 2009 (Resigned 1 July 2011)
Mr Rufino Bomasang	Non-Executive Director	Appointed 18 August 2006
Mr John Jetter	Non- Executive Director	Appointed 12 December 2007
Mr Ian MacIver	Non-Executive Director	Appointed 7 January 2004
Mr Ian Boserio	Non-Executive Director	Appointed 2 September 2010
Dr Jaap Poll	Non-Executive Director	Appointed 19 November 2004 (Resigned 21 November 2010)
Mr J Zadnik	Alternate Non-Executive Director	Appointed 19 November 2004 (Resigned 2 September 2010)
Other Key Management Personnel		
Mr Matthew Allen	Chief Financial Officer/ Company Secretary	Appointed 16 November 2009
Mr Paul Senyica	Exploration Manager	Appointed 12 April 2010
Mr Richard King	Commercial Manager	Appointed 28 July 2008 (Resigned 31 December 2010)
Mr Craig Martin	Chief Operating Officer	Appointed 1 February 2007 (Resigned 9 September 2010)

30 June 2011 Group	Short-term Employee Benefits			Post Employment	Share-Based Payments	Total	Comprising Options and Performance Rights	Performance Related
	Salary & Fees	Cash Bonus	Non Monetary	Super-annuation Pensions	Options and Performance Rights			
	A\$	A\$	A\$	A\$	A\$	A\$	%	%

Directors

Mr R Crabb	91,743	–	8,029	8,257	–	108,029	–	–
Mr P Moore	558,976	–	8,029	46,383	406,250	1,019,638	39.84%	–
Mr R Bomasang	103,092	–	8,029	–	–	111,121	–	–
Mr J Jetter	64,583	–	8,029	–	120,000	192,612	62.30%	–
Mr J Zadnik	3,999	–	–	360	–	4,359	–	–
Mr I MacIver	64,603	–	8,029	5814	–	78,446	–	–
Mr I Boserio	51,253	–	8,030	4,613	120,000	183,896	65.25%	–
Dr J Poll	19,113	–	–	1,720	–	20,833	–	–
	957,362	–	48,175	67,147	646,250	1,718,934		

Other Key Management Personnel

Mr C Martin	161,226	–	–	8,031	10,000	179,257	5.58%	–
Mr M Allen	285,551	129,083	–	31,917	160,000	606,551	26.38%	21.28%
Mr Richard King	160,610	37,500	–	15,657	10,000	223,767	4.47%	16.75%
Mr Paul Senyacia	355,863	42,188	–	35,825	280,000	713,876	39.22%	5.91%
	963,250	208,771	–	91,430	460,000	1,723,451		

2010 Group

Mr R Crabb	45,872	–	6,089	4,127	–	56,088	–	–
Dr J Poll	150,000	–	6,089	–	–	156,089	–	–
Mr I MacIver	45,872	–	6,089	4,127	–	56,088	–	–
Mr J Zadnik	22,936	–	6,089	2,064	–	31,089	–	–
Mr R Bomasang	97,008	–	6,089	–	–	103,097	–	–
Mr J Jetter	50,000	–	6,089	–	–	56,089	–	–
	411,688	–	36,534	10,318	–	458,540		

Other Key Management Personnel

Mr P Moore	481,651	–	–	43,349	375,000	900,000	41.67%	–
Mr C Martin	247,706	–	–	22,294	30,000	300,000	10.00%	–
Mr M Allen	177,488	–	–	15,974	62,500	255,962	24.42%	–
Mr R King	262,217	40,000	–	23,600	59,167	384,984	15.37%	10.40%
Mr S Kleffmann	182,454	–	–	16,421	30,000	228,875	13.11%	–
Mr P Senyacia	77,188	–	–	6,947	–	84,134	–	–
	1,428,704	40,000	–	128,585	556,667	2,153,955		

Directors' Report

C. 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 compensation, relevant to the office of Director.

Remuneration and other terms of employment for the Chief Executive Officer and Other Key Management Personnel are formalised in service agreements. Each of these agreements provides for performance-related conditions and agreements relating to remuneration are set out below. Remuneration and other terms of employment for Other Key Management Personnel of the Company are formalised in an employment agreement. Major provisions of the Other Key Management Personnel agreements relating to remuneration are set out below.

Mr Paul Moore, Managing Director – Employment Agreement

- Term of Agreement – The Agreement commenced on 1 July 2009 and continues until either the Company gives 1 month written notice of termination (3 months notice by the Executive) or is otherwise terminated in accordance with the Employment Agreement.
- Remuneration A\$605,359 per annum inclusive of superannuation payable monthly.
- Payment of termination of Agreement without cause – 12 months remuneration.
- Mr Moore resigned effective 1 July 2011 and this agreement has been terminated.

Mr Matthew Allen, Chief Financial Officer – Employment Agreement

- Term of Agreement – The Agreement commenced on 16 November 2009 and continues until the Company gives 2 months written notice of termination (2 months notice by the Executive) or is otherwise terminated in accordance with the Employment Agreement.
- Remuneration A\$317,468 per annum inclusive of superannuation payable monthly.
- Payment of termination of Agreement without cause – 2 months remuneration.
- Mr Allen received a performance bonus of A\$58,000 lapsed incentives from prior employer and A\$71,000 relating to 2010/2011 performance.

Mr Paul Senyca, Exploration Manager – Employment Agreement

- Term of Agreement – The Agreement commenced on 12 April 2010 and continues until the Company gives 3 months written notice of termination (3 months notice by the Executive) or is otherwise terminated in accordance with the Employment Agreement.
- Remuneration A\$391,688 per annum inclusive of superannuation payable monthly.
- Mr Senyca received a performance bonus for 2010 achievements of A\$42,118.

Mr Craig Martin, Chief Operating Officer – Employment Agreement

- Term of Agreement – The Agreement commenced on 1 February 2007 and continues until the Company gives 3 months written notice of termination (2 months notice by the Executive) or is otherwise terminated in accordance with the Employment Agreement.
- Remuneration A\$169,258 per annum inclusive of superannuation payable monthly.
- Payment of termination of Agreement without cause – 4 months remuneration.
- Mr Martin resigned effective 9 September 2010 and this agreement has been terminated.

Mr Richard King, Commercial Manager – Employment Agreement

- Term of Agreement – The Agreement commenced on 28 July 2008 and continues until the employee gives 2 months written notice of termination (6 months notice by the Company) or is otherwise terminated in accordance with the Employment Agreement.
- Remuneration A\$176,267 per annum inclusive of superannuation payable monthly.
- Mr King received a performance bonus for 2010 achievements of A\$37,500.
- Mr King resigned effective 31 December 2010 and this agreement has been terminated.

D. Share-based compensation

Options and Performance Rights

Options and performance rights are issued to Directors and Other Key Management Personnel as part of their remuneration.

Details of remuneration: cash bonuses, options and performance rights

Cash bonuses, options and performance rights are used to attract and retain suitably experienced Directors and Other Key Management Personnel and are incentives to increase long term shareholder wealth. Options and performance rights are issued to the majority of Directors and Other Key Management Personnel of Otto Energy Limited to increase goal congruence with shareholders.

The options are subject to vesting conditions and will not vest (and become exercisable) if the vesting conditions are not satisfied, hence the minimum value of the option yet to vest is nil. The maximum value of the options yet to vest has been determined as the amount of the grant date fair value of the options that is yet to be expensed.

Options granted under the plan carry no dividend or voting rights. Directors and employees are granted options at no cost to them.

The table below sets out options and performance rights granted during the year to Directors and Other Key Management Personnel. The options and performance rights were issued free of charge and entitle the holder to subscribe for one fully paid ordinary share in the Company.

			Terms and Conditions of Each Grant					
	Number of options granted	Number of performance rights granted	Grant date	Total value at grant date A\$	Value each at grant date A\$	Exercise price A\$	First exercise date	Last exercise date
2011								
Directors								
P Moore	4,000,000	–	16/03/11	80,000	0.02	0.1325	16/03/11	16/03/14
P Moore	–	10,000,000	22/11/11	326,250	0.089	0.00	30/06/11	30/06/11
J Jetter	3,000,000	–	30/11/10	120,000	0.04	0.12	30/11/10	30/11/13
I Boserio	3,000,000	–	30/11/10	120,000	0.04	0.12	30/11/10	30/11/13
Other Key Management Personnel								
M Allen	4,000,000	–	26/11/10	160,000	0.04	0.12	26/11/10	26/11/13
P Senyica	4,000,000	–	26/11/10	160,000	0.04	0.12	26/11/10	26/11/13
P Senyica	3,000,000	–	11/8/10	120,000	0.04	0.12	11/8/10	26/11/13
2010								
Other Key Management Personnel								
P Moore	7,500,000	–	1/07/10	375,000	0.05	0.12	1/07/10	1/08/12
S Kleffmann	2,000,000	–	8/09/09	30,000	0.02	0.12	8/09/09	8/09/11
C Martin	2,000,000	–	8/09/09	30,000	0.02	0.12	8/09/09	8/09/11
M Allen	3,000,000	–	16/02/10	62,500	0.02	0.12	16/02/10	16/02/13
R King	2,000,000	–	8/09/09	59,167	0.03	0.12	8/09/09	8/09/11

The share-based payments expense in the financial statements is equal to the value of the total calculated share-based payments expense from grant date to vesting date and does not necessarily reflect the value of options granted during the year.

For details on the valuations of options, including models and assumptions used, refer to note 30 to the financial statements.

Directors' Report

The table below sets out options and performance rights vesting and lapsing during the year for Directors and Other Key Management Personnel.

2011	Number of options vested during the year	Value of options vested during the year A\$	Number of performance rights vested during the year	Value of performance rights vested during the year A\$	Number of performance rights and options lapsed during the year	Value of performance rights and options lapsed during the year A\$
Directors						
Mr P Moore	4,000,000	80,000	3,750,000	326,250	6,250,000	556,250
Mr J Jetter	3,000,000	120,000	–	–	6,000,000	737,074
Mr I Boserio	3,000,000	120,000	–	–		–
Dr J Poll	–	–	–	–	3,000,000	330,124
Mr J Zadnik	–	–	–	–	500,000	50,000
Mr R Crabb	–	–	–	–	1,500,000	19,141
Mr R Bomasang	–	–	–	–	1,000,000	27,246
Mr I Macliver	–	–	–	–	3,500,000	26,667

Other Key Management Personnel

C Martin	–		–	–	4,000,000	441,023
M Allen	4,000,000	160,000	–	–	–	–
P Senyica	7,000,000	280,000	–	–	–	–

2010

Directors

None	–	–	–	–		
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Other Key Management Personnel

None	–	–	–	–		
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End of the audited remuneration report

Meetings of Directors

During the financial year, 16 meetings of Directors and 3 meetings of the Audit and Compliance Committee were held. Attendances by each Director during the year were as follows:

Director	Board Meetings		Audit & Compliance Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Mr R Crabb	16	15	3	3
Mr P Moore	16	16	–	–
Mr R Bomasang	16	13	–	–
Mr J Jetter	16	15	–	–
Mr I MacIver	16	15	3	3
Mr I Boserio	13	12	–	–
Dr J Poll	8	7	–	–
Mr J Zadnik (Alternate)	4	3	–	–

Indemnifying Officers or Auditor

During the financial year the Company paid premiums to insure the Directors against certain liabilities arising out of their conduct while acting as an officer of the Company. The Company paid premiums to insure each of the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity as Director of the Company, other than conduct involving a wilful breach of duty in relation to the Company. Under the terms and conditions of the insurance contract the amount of the premium paid cannot be disclosed.

Options and Performance Rights

At the date of this report details of the unissued ordinary shares of Otto Energy Limited under option, are as follows:

Date of Expiry	Exercise Price US\$	Number
Options		
10-Apr-12	\$0.33	1,500,000
1-Aug-12	\$0.57	2,500,000
8-Sep-12	\$0.11	4,000,000
19-Jan-13	\$0.11	1,000,000
16-Feb-13	\$0.11	5,500,000
11-Aug-13	\$0.11	3,000,000
26-Nov-13	\$0.11	13,000,000
30-Nov-13	\$0.12	6,000,000
16-Apr-14	\$0.13	4,000,000
30-Jun-14	\$0.11	7,500,000
		48,000,000
Performance Rights		
12-Aug-2011	\$0.89	10,000,000
		10,000,000

Directors' Report

Shares issued on the exercise of options and performance rights

There were no ordinary shares of Otto Energy Limited issued during the year ended 30 June 2011 on the exercise of options or performance rights granted as remuneration.

Environmental Regulation and Performance

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

Proceedings on Behalf of Company

No person has applied for Leave of Court to bring proceedings on behalf of the Company or 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 any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Otto Energy Limited support and have adhered to the principles of Corporate Governance. The Company's corporate governance statement is contained in the Corporate Governance section of the Financial Report.

Non-Audit Services

The Board of Directors, in accordance with advice from the Audit and Compliance Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 (Cth). The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Audit and Compliance Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and APES 110 Code of Ethics for Professional Accountants.

The total fees for non-audit services paid to the external auditors related entity BDO Corporate Tax (WA) Pty Limited for taxation and other consulting services is US\$92,299 for the year ended 30 June 2011 (2010:US\$142,431).

Rounding

The amounts contained in this Report and in the Financial Statements have been rounded to the nearest US\$1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

Auditors Independence Declaration

The auditor's independence declaration as required under Section 307C of the Corporations Act 2001 (Cth) for the year ended 30 June 2011 has been received and can be found on page 39 of the Directors' report.

Signed in accordance with a resolution of the Board of Directors.



MR I MACLIVER | DIRECTOR

29 September 2011

Auditor's Independent Declaration



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38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

29 September 2011

The Directors
Otto Energy Limited
32 Delhi Street
WEST PERTH WA 6005

Dear Sirs,

DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF OTTO ENERGY LIMITED.

As lead auditor of Otto Energy Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- 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.

Peter Toll
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

Consolidated Statement of Comprehensive Income

For the Year Ended 30 June 2011

	Note	Consolidated	
		2011 US \$'000	2010 US \$'000 (Restated)
Continuing Operations			
Revenue from sale of gas	5	–	1,698
Total revenue		–	1,698
Cost of sales	6	–	(2,864)
Gross Profit		–	(1,166)
Other revenue	5	1,636	1,317
Share of net profits/(losses) of associates	27	22,771	5,677
Foreign currency gains/(losses)		34	558
Employee benefit expense	7	(6,672)	(4,212)
Depreciation expense – general	7	(235)	(162)
Impairment expense	7	(35)	(27,958)
Other expenses	7	(4,376)	(2,328)
Profit/(loss) before income tax		13,123	(28,274)
Income tax expense	8	–	(8)
Net profit/(loss) for the year from continuing operations		13,123	(28,282)
Discontinued Operations			
Profit/(loss) for the year from discontinued operation	14(b)	(719)	–
Net profit/(loss) for the year		12,404	(28,282)
Other comprehensive (loss)			
Foreign currency translation differences for foreign operations		(3,631)	(3,822)
Other comprehensive loss for the period		(3,631)	(3,822)
Total comprehensive profit/(loss) for the year attributable to owners of Otto Energy Limited		8,773	(32,104)
Earnings per share			
		Cents	Cents
Basic earnings/(loss) per share – continuing operations	29	1.16	(2.64)
Basic earnings/(loss) per share	29	1.09	(2.64)
Diluted earnings/(loss) per share – continuing operations	29	1.16	(2.64)
Diluted earnings/(loss) per share	29	1.09	(2.64)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2011

		Consolidated	
	Note	2011 US \$'000	2010 US \$'000 (Restated)
Current Assets			
Cash and cash equivalents	9	35,584	29,605
Trade and other receivables	10	267	5,802
Other current assets – prepayments		24	33
Total Current Assets		35,875	35,440
Non-Current Assets			
Trade and other receivables	10	10	9
Intangible assets	11	6,049	6,049
Property, plant and equipment	12	702	327
Exploration and Evaluation	13	13,831	5,823
Oil & Gas Properties	14	–	1,819
Investments in Associate	27	14,400	5,687
Total Non-Current Assets		34,992	19,714
Total Assets		70,867	55,154
Current Liabilities			
Trade and other payables	15	4,751	1,858
Borrowings	17	–	12
Total Current Liabilities		4,751	1,870
Non-Current Liabilities			
Provisions	16	60	95
Total Non-Current Liabilities		60	95
Total Liabilities		4,811	1,965
NET ASSETS		66,056	53,189
EQUITY			
Contributed equity	18	131,577	128,992
Reserves	19	12,162	14,284
Accumulated losses		(77,683)	(90,087)
TOTAL EQUITY		66,056	53,189

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

Statements of Changes in Equity

For the Year Ended 30 June 2011

Consolidated	Issued Capital US \$'000	Accumulated Losses US \$'000	Reserves US \$'000	Total Equity US \$'000
Balance at 1 July 2009 (Restated)	151,933	(72,783)	20,693	99,843
Adjustment due to currency exchange	(22,916)	10,978	(3,121)	(15,059)
Restated total equity at the beginning of the financial year	129,017	(61,805)	17,572	84,784
Total comprehensive income for the year				
Profit or loss	–	(28,282)	–	(28,282)
Other comprehensive income				
Foreign currency translation differences	–	–	(3,822)	(3,822)
Total other comprehensive income	–	(28,282)	(3,822)	(32,104)
Total comprehensive for the year	–	(28,282)	(3,822)	(32,104)
Transactions with owners in their capacity as owners				
Issued options during the period	–	–	534	534
Transaction costs	(25)	–	–	(25)
Balance at 30 June 2010 (Restated)	128,992	(90,087)	14,284	53,189
Total comprehensive income for the year				
Profit or loss	–	12,404	–	12,404
Other comprehensive income				
Foreign currency translation differences	–	–	(3,631)	(3,631)
Total other comprehensive income	–	12,404	(3,631)	8,773
Total comprehensive for the year	–	12,404	(3,631)	8,773
Transactions with owners in their capacity as owners				
Issued options during the period	–	–	1,509	1,509
Issued shares during the period	2,593	–	–	2,593
Transaction costs	(8)	–	–	(8)
Balance at 30 June 2011	131,557	(77,683)	12,162	66,056

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

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2011

		Consolidated	
	Note	2011 US \$'000	2010 US \$'000 (Restated)
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		4,096	566
Payments to suppliers and employees (inclusive of goods and services tax)		(9,373)	(6,588)
Interest paid		–	(3)
Income Taxes Paid		(22)	–
Net cash (outflow) from operating activities	28(a)	(5,299)	(6,025)
Cash flows from investing activities			
Dividend Received		14,058	–
Payments for property, plant and equipment		(610)	(190)
Payments for exploration and evaluation		(12,630)	–
Payments for oil and gas properties		–	(21,293)
Proceeds from Farm-In Contribution		1,500	–
Proceeds from sale of available-for-sale financial assets		2,993	–
Proceeds from Seismic Acquisition contribution		–	18,561
Repayment of loans repaid by associates		3,200	28,145
Net cash inflow from investing activities		8,511	25,223
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		2,787	–
Share issue and buy-back transaction costs		(8)	(26)
Repayment of borrowings		(12)	(12)
Loan to employees		–	86
Net cash inflow (outflow) from financing activities		2,767	48
Net increase (decrease) in cash and cash equivalents			
		5,979	19,246
Cash and cash equivalents at the beginning of the financial year		29,605	11,092
Effects of exchange rate changes on cash and cash equivalents		–	(733)
Cash and cash equivalents at end of year	9	35,584	29,605

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

Notes to the Consolidated Financial Statements

1. Statement of Significant Accounting Policies

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001 (Cth).

The financial statements cover the Group of Otto Energy Limited and its controlled entities. Otto Energy Limited is a listed public company, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial statement. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

Rounding

The financial report is presented in United States dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated.

Compliance with IFRS

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

Historical cost convention

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are referenced in note 3.

Early adoption of standards

The group has elected to apply the following pronouncements to the annual reporting period beginning 1 July 2010:

- AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project

This includes applying the revised pronouncement to the comparatives in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

None of the items in the financial statements had to be restated as the result of applying this standard.

Functional and presentation currency

Effective 1 July 2010, the parent entity and the Group changed its functional and reporting currency from Australian Dollar to US Dollar (USD). The adoption of the USD as the Group's functional currency has arisen through the growth in operational activity in the Philippines and the US Dollar being the primary economic environment in which the entities operate. A significant portion of the Groups' assets, liabilities and contracts are denominated in US Dollar. The change in functional and reporting currency will improve the investor's ability to compare results with other publicly listed businesses in the oil industry.

As a result of the change in the functional currency the Company is required to restate all comparative amounts to US dollar by translating all the assets and liabilities using the current rate method as at the 1 July 2010 of USD 0.84917. All resulting exchange differences are reported as a separate part of the shareholders equity called Foreign Currency Translation Reserve.

Accounting Policies

a) Principles of Consolidation

A controlled entity is any entity Otto Energy Limited has the power to control the financial and operating policies so as to obtain benefits from its activities. A list of controlled entities is contained in Note 25 to the financial statements. All controlled entities have a financial year-ending on 30 June.

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been modified where necessary to ensure consistency with those policies applied by the parent entity.

Where controlled entities have entered or left the group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Non-controlling interests in the equity and results of controlled entities are shown as a separate item in the consolidated financial statements.

b) Joint venture accounting

Jointly controlled assets

The proportionate interests in the assets, liabilities and expenses of a joint venture activity have been incorporated in the financial statements under the appropriate headings. Details of the joint venture are set out in note 26.

Transactions with the joint venture are eliminated to the extent of the group's ownership interest until such time as they are realised by the joint venture partnership on

consumption or sale. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

c) Associate accounting policy

The Group's investments in its associates are accounted for using the equity method of accounting in the consolidated financial statements. An associate is an entity over which the Group has significant influence and is neither a subsidiary nor a joint venture.

The financial statements of associates, prepared for the same reporting period as the Group and applying consistent accounting policies, are used by the Group to apply the equity method. The investment in the associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value. The profit or loss for the year reflects the Group's share of the associate's after tax profit or loss from operations.

Where there has been a change recognised directly in the associates' equity, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

d) Foreign Currency Transactions and Balances Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in United States dollars which is the parent entity's functional and presentation currency. Effective 1 July 2010, the Group presentation currency was changed to United States dollars (previously Australian dollars). In conjunction, the functional currency of the parent entity has also been changed to United States dollars (previously Australian dollars). This change means that the financial information in the Groups quarterly ASX reports, as well as its half year and full year accounts, will be presented in United States dollars.

It is the Boards understanding that this will provide more useful financial information to the users of the Groups financial reports and is determined on the basis of the Groups cashflows being predominantly United States dollars.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date

when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the profit or loss, except where deferred in equity as a net investment hedge.

Group companies

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the profit or loss in the period in which the operation is disposed.

e) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

f) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities in the statement of financial position.

g) Trade and Other Receivables

Trade and other receivables are carried at the amounts due. Specific allowance is made for any amounts when collection is considered doubtful. Bad debts are written off when identified.

Collectability of trade and other receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectable are written off when identified. An impairment allowance is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 90 days overdue are considered objective evidence of impairment. The amount of impairment loss is the receivable carrying amount compared to the present value of estimated cash flow, discounted at the original effective interest rate.

h) Plant and Equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Notes to the Consolidated Financial Statements

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including capitalised leased assets is depreciated on a straight-line basis over their useful lives to the group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable asset are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	20%
Computer equipment	40%
Computer software	40%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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 at the time of disposal and are included in the profit or loss.

i) Oil and Gas Properties

Assets in Development

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

Producing assets

The costs of oil and gas assets in production are separately accounted for as tangible assets, and include past exploration and evaluation costs, pre-production development costs and the ongoing costs of continuing to develop reserves for production and to expand or replace plant and equipment and any associated land and buildings.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

Provisions for future restoration are made where there is a present obligation as a result of development or production activity, and is capitalised as a component of the cost of those activities. The provision for restoration policy is discussed in Note 3.

j) Exploration and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area, or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full in profit or loss in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are fully provided from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

Once an area of interest enters the development phase, all capitalised acquisition, exploration and evaluation expenditures are transferred to oil and gas properties.

k) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the statement of comprehensive income. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly.

l) Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets' carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the profit or loss.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

m) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. They are recognised initially at fair value and subsequently at amortised cost.

n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

o) Employee Benefits

(i) Wages and salaries and Annual leave

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. The entire obligation is presented as current, since the Group does not have an unconditional right to defer settlement.

(ii) Share-based payments and Performance Rights plan

Share-based payments and performance rights compensation benefits are provided to employees via the employee share option plan and the performance rights plan. Refer to note 30.

The fair value of these payments is determined based on the share price at the date the rights have been accepted by employees and corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model which takes into account the exercise price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact on the revision to original estimates, if any, is recognised in the profit or loss with a corresponding adjustment to equity.

Notes to the Consolidated Financial Statements

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

q) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

r) Fair Value

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

s) Business Combinations

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition

date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income, but only after a reassessment of the identification and measurement of the net assets acquired.

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

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

t) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided by 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 Executive Leadership team comprising the Chief Executive Officer and direct reports to this role.

u) Revenue

Revenue earned from the sale of oil and gas is recognised when the risks and rewards of ownership of the product are transferred to the customer. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Dividend revenue is recognised when the right to receive a dividend has been established.

Dividends received from associates are accounted for in accordance with the equity method of accounting. All revenue is stated net of the amount of goods and services tax (GST).

v) Income Tax

The charge for current income tax expense is based on the result for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the reporting date.

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in profit or loss except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

w) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flow on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

x) Non-Current Assets Held For Sale and Discontinued Operations

Non-current assets are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will

be recovered principally through a sale transaction. They are not depreciated or amortised. For an asset to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increase in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of de-recognition.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of comprehensive income.

y) Leases

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

z) Intangible assets

(i) Goodwill

Goodwill is measured as described in note 1(s). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments.

Notes to the Consolidated Financial Statements

(ii) Trademarks and licences

Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences.

(iii) IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over periods generally ranging from 3 to 5 years. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the group has an intention and ability to use the asset.

(iv) Customer contracts

Customer contracts acquired as part of a business combination are recognised separately from goodwill. The customer contracts are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the contracts over their estimated useful lives, which currently vary from 1 to 3 years.

(v) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, which varies from 3 to 5 years.

aa) Contributed Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example as a result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

bb) Equity settled share-based payment

If the equity instruments granted vest immediately, the counterparty is not required to complete a specified period of service before becoming unconditionally entitled to those equity instruments. In the absence of evidence to the contrary, the entity shall presume that services rendered by the counterparty as consideration for the equity instruments have been received. In this case, on grant date the entity shall recognise the services received in full, with a corresponding increase in equity.

If the equity instruments granted do not vest until the counterparty completes a specified period of service, the entity shall presume that the services to be rendered by the counterparty as consideration for those equity instruments will be received in the future, during the vesting period. The entity shall account for those services as they are rendered by the counterparty during the vesting period, with a corresponding increase in equity.

For transactions measured by reference to the fair value of the equity instruments granted, an entity shall measure the fair value of equity instruments granted at the measurement date, based on market prices if available, taking into account the terms and conditions upon which those equity instruments were granted. If market prices are not available, the entity shall estimate the fair value of the equity instruments granted using a valuation technique to estimate what the price of those equity instruments would have been on the measurement date in an arm's length transaction between knowledgeable, willing parties.

cc) Earnings per share

(i) Basic earnings per share

Basic earnings per share are calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares (note 29).

(ii) Diluted earnings per share

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

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

dd) Parent entity financial information

The financial information for the parent entity, Otto Energy Limited, disclosed in note 31 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Otto Energy Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Tax consolidation legislation

Otto Energy Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The head entity, Otto Energy Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Otto Energy Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Otto Energy Limited for any current tax payable assumed and are compensated by Otto Energy Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Otto Energy

Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(iii) Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

2. Financial Risk Management

Overview

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including foreign exchange risk, interest rate risk and commodity price 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 Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks to which the Group is subject to. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, aging analysis for credit risk to determine market risk.

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Notes to the Consolidated Financial Statements

All cash balances are held at banks which are internationally recognised institutions. The majority of receivables are with entities associated with the Group. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information of default rates. The credit quality of financial assets that are neither past due nor impaired can be assessed by either reference to external credit ratings or internally available information.

The maximum exposure to credit risk is the carrying amount of the financial assets of cash and trade and other receivables as per the financial statements.

Financial assets that are neither past due nor impaired are as follows:

	Consolidated	
	2011 US \$'000	2010 US \$'000
Trade and other receivables – counterparties without external credit rating		
Financial assets with no defaults in past	277	3,728
Financial assets with no history (new)	–	2,083
Financial assets with some defaults (associate receivables)	–	–
Total trade and other receivables	277	5,811
Cash and cash equivalents		
No S&P credit rating	2,954	–
AA S&P credit rating	32,630	29,605
	35,584	29,605

b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, combined with the availability of funding. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows.

As at reporting date the Group had sufficient cash reserves to meet its current requirements. The Group therefore had no credit standby facilities or arrangements for further funding in place.

Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date, to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 6 months US \$'000	6-12 months US \$'000	Between 1-2 years US \$'000	Between 2-5 years US \$'000	Over 5 years US \$'000	Total contractual cashflows US \$'000	Carrying Amounts US \$'000
Group as at 30 June 2011							
Non derivatives							
Non-interest bearing	4,751	–	–	–	–	4,751	4,751
Fixed rate	–	–	–	–	–	–	–
Group as at 30 June 2010							
Non derivatives							
Non-interest bearing	1,858	–	–	–	–	1,858	1,858
Fixed rate (5.05%)	12	–	–	–	–	12	12

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign Exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign Exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting. Management has set up a policy requiring group companies to manage their foreign exchange risk against their functional currency. The group companies are not required to hedge their foreign exchange risk exposure. In 2011 no forward exchange contracts were entered into (2010: nil).

Interest rate risk

The Group's only interest rate risk arises from cash and cash equivalents held. Term deposits and current accounts held with variable interest rates expose the Group to cash flow interest rate risk. As shown in the table below a 75 basis points ("bps") (2010: 50 bps) strengthening at 30 June would have reduced the loss and increased equity by the amounts shown below. Management have assessed the risk of a decrease in interest rates to be low and as such no sensitivity analysis has been provided. This conclusion is based upon an assessment of current and future market conditions.

+75bps	Carrying Amount US\$'000	Equity US\$'000	Profit/(loss) US\$'000
Group – 2011	35,584	266	266
Group – 2010	29,605	148	148

Interest rates are currently at record lows and are not evidencing high volatility. 75bps has been chosen as representative of near term movements.

This group is not exposed to equity price risk from its financial instruments.

Commodity Price risk

The Group was exposed to commodity price fluctuations through the sale of crude oil denominated in US dollars. The Group may enter into commodity crude oil price swap and option contracts to manage its commodity price risk. As at 30 June 2011, the Group had no open oil price swap and option contracts (2010: nil).

d) Fair value estimation

The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximate their fair values.

3. Critical Accounting Estimates

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company. Please refer to the relevant note, where estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year, have been disclosed:

- Estimated impairment of goodwill and reserve estimates (refer note 11)
- Recoverability of exploration expenditure and oil and gas properties, including reserve estimates (refer note 13 and 14)
- Revenue Recognition (refer note 5)
- Income taxes (refer note 8)
- Share based payment expense (refer note 30)

4. Segment Reporting

a) Description of segments

Management has determined the operating segments based on the reports reviewed by the Chief Operating Decision maker/s that consists of the Board, which are used to make strategic decisions. The Group operates wholly within the oil and gas sector and has 4 reportable segments, which are the Group's strategic geographical focus business units. These business units are managed separately and reported to management on this basis. These business units are consistent with prior year disclosure.

Notes to the Consolidated Financial Statements

b) Segment information provided to the strategic steering committee

The segment information provided to the Executive Leadership Team for the reportable segments for the year ended 30 June 2011 is as follows:

	Australia	Turkey	Philippines	Italy	Unallocated/ Eliminations	Consolidated
	USD \$'000	USD \$'000	USD \$'000	USD \$'000	USD \$'000	USD \$'000
2011						
Revenue from sale of gas (i)	–	1,443	–	–	(1,443)	–
Total Revenue	–	–	–	–	–	–
Cost of Sales	–	(740)	–	–	740	(0)
Gross Profit	–	703	–	–	(703)	(0)
Other Revenue:	–	–	–	–	–	–
– Other Revenue	29	–	–	–	–	29
– Interest received (other)	12,156	3	476	–	(11,028)	1,607
– Interest received from associates	–	–	–	–	–	–
Share of net profits/(losses) of associates	14,058	–	11,844	–	(3,131)	22,771
Foreign currency gains/(losses)	40	(28)	20	2	–	34
Employee benefit expense	(5,818)	–	(854)	–	–	(6,672)
Depreciation – general	(200)	–	(50)	–	15	(235)
Impairment expense	(1,258)	–	(1,458)	–	2,681	(35)
Other expenses	(4,267)	(1,253)	70	–	1,073	(4,377)
Net loss before income tax	14,740	(575)	10,048	2	(11,093)	13,122
Income tax expense	–	(23)	–	–	23	–
Net profit/(loss) for the year from continuing operations	14,740	(598)	10,048	2	(11,070)	13,122
Loss for the year from discontinued operation	–	931	–	–	(1,650)	(719)
Net profit/(loss) for the year	(14,740)	333	10,048	2	(12,720)	(17,077)
Total Segment Assets						
Total Assets	54,938	–	32,980	–	(17,051)	70,867
Total Segment Liabilities						
Total Liabilities	678	–	67,697	–	(63,564)	4,811

- i) The group operates in the geographical areas as disclosed above.

The segment information provided to the Executive Leadership Team for the reportable segments for the year ended 30 June 2010 is as follows:

	Australia	Turkey	Philippines	Italy	Consolidation Eliminations	Consolidated
	US \$'000	US \$'000	US \$'000	US \$'000	US \$'000	US \$'000
2010 (Restated)						
Revenue from sale of gas	–	1,698	–	–	–	1,698
Total Revenue	–	1,698	–	–	–	1,698
Cost of Sales	–	(2,864)	–	–	–	(2,864)
Gross Profit	–	(1,166)	–	–	–	(1,166)
Other Revenue:						
– Other Revenue	633	–	–	–	–	633
– Interest received (other)	8	1	–	–	–	8
– Interest received from associates	–	–	677	–	–	677
Share of net profits/(losses) of associates	–	–	5,677	–	–	5,677
Foreign currency gains/(losses)	(6,448)	–	(13)	943	6,075	557
Employee benefits expense	(3,724)	–	(488)	–	–	(4,212)
Depreciation expense – general	(149)	–	(14)	–	–	(163)
Impairment expense	–	(6,980)	(14,990)	–	(5,989)	(27,959)
Other expenses	(1,002)	(85)	(159)	128	(1,209)	(2,327)
Net loss before income tax	(10,682)	(8,231)	(9,310)	1,071	(1,123)	(28,275)
Income tax expense	–	(8)	–	–	–	(8)
Net loss for the year	(10,682)	(8,239)	(9,310)	1,071	(1,123)	(28,283)
Total Segment Assets						
Total Assets	7,146	2,100	28,971	14	16,922	55,154
Total Segment Liabilities						
Total Liabilities	726	831	408	–	–	1,965

Notes to the Consolidated Financial Statements

5. Revenue

	Consolidated	
	2011 US \$'000	2010 US \$'000
Revenue from sale of gas	–	1,698
Other revenue:		
– Other revenue	69	632
– Interest received (other)	62	9
– Interest received from associates	1,505	676
	1,636	1,317
Total revenue from continuing operations	1,636	3,015

6. Cost of Sales

	Consolidated	
	2011 US \$'000	2010 US \$'000
Gas gathering charges	–	481
Amortisation of oil and gas properties	–	2,089
Royalty and special contribution tax	–	294
	–	2,864

7. Expenses

Expenses include the following:

Impairment expenses		
Reversal of impairment of exploration expenditure	–	(291)
Exploration expenditure expensed	–	367
Impairment Expense (investment in associate)	–	–
Impairment Expense (evaluation and exploration)	35	20,941
Impairment Expense (oil and gas properties)	–	6,941
	35	27,958
Employee benefits expenses		
Wages and salaries	4,180	3,051
Superannuation expense	269	180
Share based payment expense	1,509	534
Other employee benefits	713	447
Total employee benefits expense	6,672	4,212
Business development expense	970	374
Office expenses	3,406	1,954
Total other expenses	4,376	2,328
Depreciation expense	235	162

Notes to the Consolidated Financial Statements

8. Income Tax Expense

	Consolidated	
	2011 US \$'000	2010 US \$'000 (Restated)
a) The components of tax expense comprise:		
– Current tax	–	8
– Deferred tax	–	–
	–	8
b) Numerical reconciliation of income tax expense to prima facie tax payable:		
Profit/(loss) before income tax	12,404	(28,274)
Tax at the Australian rate of 30% (2010: 30%)	3,721	(8,482)
Add tax effect of:		
– other non-allowable items	(565)	1,555
Less tax effect of:		
– issue costs charged to equity	–	–
Deferred tax asset not previously recognised now brought into account	–	–
Benefits of tax losses and other temporary differences not brought to account	(3,156)	6,935
Income tax expense	–	8
c) Deferred tax balances not brought to account:		
– temporary differences–unrealised foreign exchange	–	1,837
– temporary differences–share issue costs through equity	534	822
– temporary differences–other	2,515	71
– tax losses: revenue	1,942	1,133
– tax losses: foreign	26,837	22,594
	31,828	26,457
Offset against deferred tax liabilities recognised	(24)	–
Deferred tax assets not brought to account	31,804	26,457
d) Deferred tax liabilities:		
Unrealised foreign exchange	23	–
Accrue income	1	–
Offset by deferred tax assets recognised	(24)	–
	–	–

9. Cash and Cash Equivalents

	Consolidated	
	2011 US \$'000	2010 US \$'000
Cash at bank and in hand	35,379	29,447
Short-term bank deposits	205	158
	35,584	29,605

The effective interest rate on short-term bank deposits was 5.25% (2010: 5.25%). The above balances reconcile to cash at the end of the financial year as shown in the Statement of Cash Flows. Further information on fair values and interest rate risk are set out in Note 2(c).

10. Trade and Other Receivables

CURRENT

Other receivables	232	2,469
Goods and services tax	35	108
Loan to associates	–	3,225
	267	5,802

NON-CURRENT

Other receivables	10	9
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Further information relating to fair values and interest rate risk are set out in Note 2.
No receivables are past due or impaired.

11. Intangible Assets

Goodwill on acquisition of controlled entities	6,049	6,049
Balance at the beginning of the year	6,049	6,404
Currency translation differences	–	(355)
Balance and net book value at the end of year	6,049	6,049

For the year ended 30 June 2011, no impairment charge has been recognised (2010: nil).

The Goodwill is held within the Otto Energy Limited group which is attributable to the acquisition of Colag BVI Limited (formerly Cape Energy Philippines SA) and Colag UK Limited (formerly Team Oil Limited) which each hold a 15.69% ownership interest in the Galoc Production Company W.L.L ("GPC"). The recoverable amount of the goodwill was determined based on value-in-use calculations. These calculations were based upon discounted cash flow forecasts covering a five year period.

The key assumptions and inputs used in the value-in-use model for the Galoc oil field were:

Discount rate:	15% (2010: 15%)
Oil price:	US\$95/barrel (2010: US\$75/barrel)
Up time:	85% per annum (75% during typhoon season periods and 95% during non typhoon- season periods. (2010: 85% per annum)

Notes to the Consolidated Financial Statements

12. Property Plant and Equipment

		Consolidated	
		2011 US \$'000	2010 US \$'000
At cost		1,343	724
Accumulated depreciation		(641)	(396)
		702	328

Movement in carrying amounts of property, plant and equipment

	Plant and Equipment US \$'000	Furniture & Equipment US \$'000	Total US\$'000
Year Ended 30 June 2011			
Balance at the beginning of year	24	303	327
Additions	2	619	621
Disposals	–	(1)	(1)
Depreciation expense	(9)	(237)	(246)
Carrying amount at the end of year	17	684	701
Year Ended 30 June 2010			
Balance at the beginning of year	38	284	322
Additions	–	164	164
Disposals	–	(2)	(2)
Depreciation expense	(14)	(148)	(162)
Currency translation differences	–	5	5
Carrying amount at the end of year	24	303	327

13. Exploration and Evaluation Assets

	Consolidated	
	2011 US \$'000	2010 US \$'000
NON-CURRENT		
Exploration and evaluation assets – at cost	13,831	5,823
Movement in carrying amounts of exploration and evaluation assets		
As at 1 July	5,823	26,107
Additions	8,043	367
Transferred to oil and gas properties	–	–
Reversal of impairment	–	290
Impairment write-down	(35)	(20,941)
Net carrying value	13,831	5,823

The recoverability of the carrying amount of exploration assets is dependent on the successful development and commercial exploitation or sale of the respective oil and gas permits.

Impairment expense:

During the year, expenditure capitalised in relation to service contract 50 of \$nil (2010: \$9,629,000) and service contract 51 of \$nil (2010: \$11,312,000) is determined as being not recoverable from successful developments within both permits. Capitalised expenditure was therefore impaired.

14. Oil and Gas Properties

	Consolidated	
	2011 US \$'000	2010 US \$'000
NON-CURRENT		
Oil and gas properties – at cost	–	3,908
Accumulated amortisation	–	(2,089)
	–	1,819

Oil and gas properties capitalised in the production phase as at 30 June 2010 comprised the Edirne licence in Turkey. This property was sold in the 2011 year, refer to note 14(b).

(a) Movement in carrying amounts of Oil and Gas Properties

Balance at the beginning of year	1,819	10,849
Disposals (14(b))	(1,819)	(6,941)
Impairment expense	–	–
Amortisation expense	–	(2,089)
Carrying amount at the end of year	–	1,819

Notes to the Consolidated Financial Statements

Impairment expense:

During the previous year, following commencement of production from the Edirne licence and subsequent reserves reduction, the value-in-use model used to determine the recoverable amount did not support the value of capitalised expenditure net of accumulated amortisation. An impairment loss of \$nil (2010: \$6,941,000) was recognised.

The key assumptions and inputs used in the value-in-use model for the Edirne gas field in 2010 were:

Discount rate:	15%
Gas price:	US\$7.50 per mscf
Production:	2P reserves profile

b) Disposal of Turkey Oil and Gas Properties

During the year, Otto Energy Ltd executed an asset sale agreement to sell its producing natural gas assets in the Edirne licence in Turkey to Valuera Energy Inc. The Edirne licence interests are owned by Edirne Enerji Petrol Arama Uretim Ve Ticaret Limited Sirketi ("Edirne"), which is a wholly owned subsidiary of Otto Energy Ltd.

The net assets of Edirne at the date of disposal were as follows:

Net asset disposed	1,819	–
Gain on disposal	931	–
VAT	350	–
Total consideration	3,100	–

The profit from the discontinued operation was as follows:

	Consolidated	
	2011 US \$'000	2010 US \$'000
Revenue from gas sales	1,446	–
Cost of sales	(3,065)	–
Other income	3	–
Other operating expenses	(12)	–
Income tax expense	(22)	–
Net loss from operations	(1,650)	–
Gain on disposal	931	–
Total profit from discontinued operations	(719)	–

15. Trade and Other Payables

	Consolidated	
	2011 US \$'000	2010 US \$'000
CURRENT		
Trade payables	464	810
Sundry payables and accrued expenses	4,287	1,048
	4,751	1,858

Information on interest rate risk is set out in Note 2(c).

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

Sundry payables and accrued expenses include accruals for annual leave. The entire obligation is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave within the next 12 months. The amount that is not expected to be taken with the next 12 months is US\$75,000 (2010: US\$70,000).

16. Provisions

NON-CURRENT		
Employee benefits	60	50
Provision for restoration	–	45
	60	95
Movement in restoration provision		
Balance at the beginning of year	45	57
Arising during the year	(45)	(12)
Carrying amount at the end of year	–	45

17. Borrowings

CURRENT		
Hire purchase liability (i)	–	12

(i) Relates to a hire purchase agreement of the company's vehicle in Manila. Fair value and interest rate risk are disclosed in Note 2.

Notes to the Consolidated Financial Statements

18. Contributed Equity

				Consolidated	
				2011 US \$'000	2010 US \$'000
Fully paid ordinary shares				131,557	128,992

a) Ordinary Share Capital

	Issue Price	2011 No.	2010 No.	2011 US\$'000	2010 US\$'000
At the beginning of year		1,072,684,721	1,070,184,721	128,992	129,017
Shares issued during year					
7 July 2010	0.05	61,855,350	2,500,000	2,593	–
Transaction Costs				(8)	(25)
		1,134,540,071	1,072,684,721	131,557	128,992

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

a) Options

For information relating to share options issued during the financial year, refer to note 30.

b) Capital risk management

The Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

	Consolidated	
	2011 US \$'000	2010 US \$'000
Total borrowings	–	12
Less: cash and cash equivalents	35,584	29,605
Net debt	–	–
Total equity	66,056	53,189
Total capital	66,056	53,189

The Group does not currently have any external debt facilities.

19. Reserves

	Consolidated	
	2011 US \$'000	2010 US \$'000
RESERVES		
Foreign Currency Translation Reserve	4,188	7,819
Share Based Payment Reserve	6,068	4,559
Option Reserve	1,906	1,906
	12,162	14,284
Foreign Currency Translation Reserve		
Balance at beginning of year	7,819	11,641
Currency translation differences arising during the year	(3,631)	(3,822)
As at end of year	4,188	7,819
Share Based Payments Reserve		
Balance at beginning of year	4,559	4,026
Share-based payments	1,509	533
As at end of year	6,068	4,559
Option Reserve		
Balance at beginning of year	1,906	1,906
Option expense	–	–
As at end of year	1,906	1,906
Accumulated Losses		
Balance at beginning of year	(90,087)	(61,805)
Profit/(Loss) for the year	12,404	(28,282)
As at end of year	(77,683)	(90,087)

a) Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries.

b) Option Reserve

The option reserve records the value attributed to Otto Energy Limited share options issued as part of consideration for acquisitions.

c) Share Based Payments Reserve

The share based payment reserve records equity based compensation granted to employees.

Notes to the Consolidated Financial Statements

20. Key Management Personnel Disclosures

a) Key management personnel compensation

	Consolidated	
	2011 US\$	2010 US\$
Short-term employee benefits	1,938,331	1,627,796
Post-employment benefits	156,689	117,952
Share-based payments	1,207,254	472,705
	3,302,274	2,218,453

Detailed remuneration disclosures are provided in the audited remuneration report within the Directors Report.

b) Equity instrument disclosures relating to key management personnel

i) Share based payments as remuneration

Details of options, performance rights and performance shares provided as remuneration and shares issued on the exercise of such options or rights, together with terms and conditions, can be found in section D of the remuneration report within the Directors Report.

ii) Option Holdings of Key Management Personnel

	Balance at Start of Year	Granted During the Year as Compensation	Cancelled/ Expired During the Year	Other *	Balance at End of Year	Vested and Exercisable at End of Year	Non Vested at End of Year
2011							
Directors							
Mr R Crabb	1,500,000	–	(1,500,000)	–	–	–	–
Mr P Moore	7,500,000	4,000,000		–	11,500,000	11,500,000	–
Mr R Bomasang	1,000,000	–	(1,000,000)	–	–	–	–
Mr J Jetter	6,000,000	3,000,000	(6,000,000)	–	3,000,000	3,000,000	–
Mr I MacIver	3,500,000	–	(3,500,000)	–	–	–	–
Mr I Boserio	–	3,000,000	–	–	3,000,000	3,000,000	–
Dr J Poll	3,000,000	–	(3,000,000)	–	–	–	–
Mr J Zadnik	500,000	–	(500,000)	–	–	–	–
	23,000,000	10,000,000	(15,500,000)	–	17,500,000	17,500,000	

Other Key Management Personnel

Mr M Allen	3,000,000	4,000,000	–	–	7,000,000	7,000,000	–
Mr P Senyica	–	7,000,000	–	–	7,000,000	7,000,000	–
Mr R King	4,500,000	–		(4,500,000)	–	–	–
Mr C Martin	4,500,000	–	(4,000,000)	(500,000)	–	–	–
	12,000,000	11,000,000	(4,000,000)	(5,000,000)	14,000,000	14,000,000	

* No longer Key Management Personnel due to resignation.

2010	Balance at Start of Year	Granted During the Year as Compensation	Cancelled/ Expired During the Year	Other *	Balance at End of Year	Vested and Exercisable at End of Year	Non Vested at End of Year
Directors							
Mr R Crabb	1,500,000	–	–	–	1,500,000	1,500,000	–
Dr J Poll	3,000,000	–	–	–	3,000,000	3,000,000	–
Mr I MacIver	3,500,000	–	–	–	3,500,000	3,500,000	–
Mr J Zadnik	500,000	–	–	–	500,000	500,000	–
Mr R Bomasang	1,000,000	–	–	–	1,000,000	666,667	333,333
Mr J Jetter	6,000,000	–	–	–	6,000,000	6,000,000	–
	15,500,000	–	–	–	15,500,000	15,166,667	333,333

Other Key Management Personnel

Mr C Martin	2,500,000	2,000,000	–	–	4,500,000	2,166,700	2,333,300
Mr P Moore	–	7,500,000	–	–	7,500,000	–	7,500,000
Mr M Allen	–	3,000,000	–	–	3,000,000	–	3,000,000
Mr R King	2,500,000	2,000,000	–	–	4,500,000	–	4,500,000
Mr S Kleffmann	1,500,000	2,000,000	–	(3,500,000)	–	–	–
Mr P Senyica	–	–	–	–	–	–	–
	6,500,000	16,500,000	–	(3,500,000)	19,500,000	2,166,700	17,333,300

* No longer Key Management Personnel due to resignation.

iii) Performance Rights of Key Management Personnel

Performance Rights

2011	Balance at Start of Year	Granted During the Year as Compensation	Cancelled/ Expired During the Year	Other *	Balance at End of Year
Directors					
Mr P Moore	–	10,000,000	–	–	10,000,000
Other Key Management Personnel					
None	–	–	–	–	–

There was no performance rights held by key management personnel in 2010.

Notes to the Consolidated Financial Statements

iv) Performance Shares of Key Management Personnel

Performance Shares

	Balance at Start of Year	Granted During the Year as Compensation	Converted to Ordinary Shares	Balance at End of Year
2011				
None	–	–	–	–
2010				
Directors				
Mr R Crabb	625,000	–	(625,000)	–
Mr J Poll	1,254,000	–	(1,254,000)	–
Mr J Zadnik	625,000	–	(625,000)	–
	2,504,000	–	(2,504,000)	–
Other Key Management Personnel				
None	–	–	–	–

v) Ordinary Shares of Key Management Personnel

Ordinary Shares

	Balance at Start of Year	Granted During the Year as Compensation	Received During the Year on the Conversion of Performance Shares	Other Changes During Year	Balance at End of Year
2011					
Directors					
Mr R Crabb	16,995,052	–	–	–	16,995,052
Mr P Moore	1,250,000	–	–	–	1,250,000
Mr J Jetter	19,089,175	–	–	–	19,089,175
Mr I MacIver	6,306,942	–	–	–	6,306,942
Mr I Boserio	–	–	–	330,000	330,000
Mr J Poll	14,794,206	–	–	(14,794,206)	–
Mr J Zadnik	6,757,747	–	–	(6,757,747)	–
	65,193,122	–	–	(21,221,953)	43,971,169
Other Key Management Personnel					
Mr C Martin	1,800,000	–	–	(1,800,000)	–
	1,800,000	–	–	(1,800,000)	–

Ordinary Shares

2010	Balance at Start of Year	Granted During the Year as Compensation	Received During the Year on the Conversion of Performance Shares	Other Changes During Year	Balance at End of Year
Directors					
Mr R Crabb	13,370,052	–	625,000	3,000,000	16,995,052
Mr J Poll	13,544,206	–	1,250,000	–	14,794,206
Mr I MacIver	6,306,942	–	–	–	6,306,942
Mr J Zadnik	5,369,000	–	625,000	763,747	6,757,747
Mr J Jetter	19,089,175	–	–	–	19,089,175
	57,679,375	–	2,500,000	3,763,747	63,943,122
Other Key Management Personnel					
Mr P Moore	–	–	–	1,250,000	1,250,000
Mr C Martin	1,800,000	–	–	–	1,800,000
Mr S Kleffman	197,385	–	–	(197,385)	–
	1,997,385	–	–	1,052,615	3,050,000

c) Loans to key management personnel

Details of loans made to other key management personnel of the Group, including their personally related parties, are set out below.

(i) Aggregates for key management personnel

Group	Balance at the start of the year	Interest payable for year	Interest not charged	Repayments	Balance at the end of the year	Number in Group at the end of the year
	US\$	US\$	US\$	US\$	US\$	
2011	–	–	–	–	–	–
2010	85,643	5,520	–	(91,163)	–	–

Notes to the Consolidated Financial Statements

21. Auditors' Remuneration

	Consolidated	
	2011 US\$	2010 US\$
(a) Audit and Other Assurance services:		
Audit and review of financial statements		
– BDO Audit (WA) Pty Ltd	86,260	79,609
– BDO Philippines	6,629	40,636
– BDO UK	46,824	33,701
Other Assurance services		
– BDO Audit (WA) Pty Ltd	–	–
– BDO Turkey	2,604	19,192
Total remuneration for audit services	142,317	173,138
Taxation Services – Compliance		
– BDO Corporate Tax (WA) Pty Ltd	12,457	10,936
– BDO Philippines	–	5,745
– BDO UK	12,816	1,562
Taxation Services – Consulting		
– BDO Corporate Tax (WA) Pty Ltd	70,242	63,512
– BDO UK	1,784	3,729
Total remuneration for non-audit services	97,299	85,484
Total remuneration for services	239,616	258,622

22. Related Party Transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	Consolidated	
	2011 US\$	2010 US\$
Key Management Personnel		
Consulting fees paid to Dormley Pty Limited, a company in which Dr Poll is a Director.	–	137,990
Consulting fees paid to Grange Consulting Group Pty Limited, a company in which Mr MacIver is a Director, for the provision of corporate advisory, company secretarial and associated services.	–	148,966
Consulting and placement fees paid to Max Capital Pty Limited, a company in which Mr MacIver is a Director, for the provision of corporate advisory and capital raising services.	30,000	102,901
Outstanding loans receivable from associate, Galoc Production Company W.L.L., amounting to US\$nil at 30 June 2011 (2010: USD \$3,225,000). The loan bears interest of 3% above LIBOR rate, compounded annually, and is repayable within 5 years from the date of the initial loan.	–	3,189,213

23. Contingent Liabilities and Contingent Assets

Contingent Consideration Payable (Middle East Petroleum Services)

In 2008 the Company's shareholders approved an arrangement to buy back a 5% gross overriding royalty over the production revenues generated from its petroleum interests in SC50, SC51 and SC55 in the Philippines from Middle East Petroleum Services ("MEPS"). MEPS is a privately-held company that originally negotiated the farm in deal for Otto Energy in the Philippines acreage in 2005. As part of the farm-in agreement MEPS retained a 5% gross overriding royalty over NorAsian's share of the assets.

Under the buyback agreement referred to above, there is a contingent consideration component whereby Otto will also pay MEPS a production bonus of US\$1 million for SC50, and US\$1.5 million each for SC51 and SC55, should the blocks produce 1.5 million barrels of oil equivalent during the term of Otto's license.

24. Commitments

	Consolidated	
	2011 US \$'000	2010 US \$'000
a) Exploration expenditure Committed expenditures in accordance with farming agreements.		
Within 1 year	3,750	8,046
Longer than 1 year and no longer than 5 years	9,750	11,959
Longer than 5 years	–	–
	13,500	20,005
b) Non-cancellable operating leases The Group leases corporate offices under non-cancellable operating leases expiring in 3 years. The leases have varying terms, escalation terms and renewal rights. On renewal, the terms of the leases may be renegotiated.		
Within 1 year	385	207
Longer than 1 year and no longer than 5 years	300	370
Longer than 5 years	–	–
	685	577

Notes to the Consolidated Financial Statements

25. Controlled Entities and Associates

		Percentage Owned (%)	
	Country of Incorporation	2011	2010
PARENT ENTITY / ULTIMATE PARENT ENTITY:			
Otto Energy Limited	Australia		
SUBSIDIARIES OF OTTO ENERGY LIMITED:			
Erdine Energy Petrol Arama Uretim VE	Turkey	100	100
Ottoman Energy (Philippines) Pty Limited	Australia	100	100
NorAsian Energy Limited	Bermuda	100	100
NorAsian Energy Phils. Inc.	Philippines	100	100
Colag UK Limited	United Kingdom	100	100
Colag (BVI) Limited	British Virgin Islands	100	100
Otto Energy (Europe) Limited	United Kingdom	100	100
Otto Energy (Italy) S.r.L (formerly Sidelia 4 S.r.L)	Italy	100	100
Otto Energy (Galoc Investment 1) Aps	Denmark	100	–
Otto Energy (Galoc Investment 2) Aps	Denmark	100	–
ASSOCIATES OF OTTO ENERGY LIMITED			
Galoc Production Company W.L.L	Bahrain	31.38	31.38

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

26. Joint Ventures

	Group Interest (%)	
	2011	2010
a) Joint venture interests		
The Group's interest in joint venture assets as at 30 June 2011 is detailed below. Exploration, development and production of hydrocarbons are the principal activities performed across these assets.		
Philippines		
Service Contract 55 (has a 60% farm-out to BHPB)	93.18	85
Service Contract 50	–	85
Service Contract 69	79	70
Service Contract 51	40	80
Turkey		
Edirne License (disposed during the year, refer note 14(b))	–	35
	Consolidated	
b) Jointly controlled assets	2011 US \$'000	2010 US \$'000
Non Current Assets		
Exploration and evaluations assets	13,831	5,823
Oil and gas properties	–	–
	13,832	5,823
c) Commitments through jointly controlled assets		
The aggregate of the Group's commitments through jointly controlled assets is as follows:		
Exploration and other commitments	13,500	19,751

27. Investments in Associates

	Consolidated	
	2011 US \$'000	2010 US \$'000
a) Movements in carrying amounts		
Carrying amount at the beginning of the financial year	5,687	–
Share of profits/(losses) after income tax	22,771	5,677
Dividends received/receivable	(14,058)	10
Carrying amount at the end of the financial year	14,400	5,687

Notes to the Consolidated Financial Statements

b) Summarised financial information of associates

The Group's share of the results of its principal associate and its aggregated assets (including goodwill) and liabilities are as follows:

			Group's Share of:			
	Ownership Interest %	Assets US \$'000	Liabilities US \$'000	Accumulated Losses US \$'000	Revenues US \$'000	Net Profit/ (Loss) US \$'000
2011						
Galoc Production Company W.L.L	31.38	13,814	983	8,712	57,717	22,771
2010						
Galoc Production Company W.L.L	31.38	7,219	236	(195)	68,725	5,687

c) Contingent liabilities of associates

None

28. Cash Flow Information

	Consolidated	
	2011 US \$'000	2010 US \$'000
a) Reconciliation of Cash Flow from Operations with Loss after Income Tax		
Profit for the year	12,404	(28,281)
Non-cash items		
Depreciation and Amortisation	235	2,251
Net exchange differences	(34)	(558)
Share of profits of associates and joint venture partnership	(22,771)	(5,677)
Non-cash employee benefits expense – share-based payments	1,509	534
Impairment Expense	–	27,591
Fair value adjustment to exploration and evaluation assets	–	77
Change in operating assets and liabilities, net of effects from		
Decrease/(Increase) in trade debtors	2,370	
Decrease/(Increase) in other operating assets	7	844
Decrease/(Increase) in work in progress	–	–
Decrease/(Increase) in deferred tax assets		–
(Decrease)/Increase in trade creditors	971	–
(Decrease)/Increase in provision for income taxes payable	–	(2,806)
(Decrease)/Increase in employee provisions	10	–
(Decrease)/Increase in deferred tax liabilities	–	–
Net cash inflow (outflow) from operating activities	(5,299)	(6,025)
b) Non Cash investing and financing activities		
There were no non-cash investing or financing activities during the year (2010: none).		

29. Earnings per Share

	Consolidated	
	2011 US \$'000	2010 US \$'000
a) Reconciliation of earnings		
Basic earnings per share		
Profit/(loss) used in calculating basic earnings per share:		
– Profit/(loss) from continuing operations	13,123	(28,282)
– Profit/(loss) from discontinued operations	(719)	–
	12,404	(28,282)
Diluted earnings per share		
Profit/(loss) used in calculating diluted earnings per share:		
– Profit/(loss) from continuing operations	13,123	n/a
– Profit/(loss) from discontinued operations	(719)	–
	12,404	n/a

The Company's potential ordinary shares, being its options and performance rights granted, were not considered dilutive as the conversion of these options and rights would result in a decrease in the net loss per share.

	Number '000	Number '000
b) Weighted average number of shares		
Weighted average number of shares used as the denominator in calculating basic earnings per share	1,133,354	1,070,705
Adjustment for calculation of diluted earnings per share		
– Options	–	–
Weighted average number of shares used as the denominator in calculating diluted earnings per share	1,133,354	n/a

Notes to the Consolidated Financial Statements

30. Share-Based Payments

a) Employee share option plan

The establishment of the Employee Share Option Plan was approved by general meeting. The Employee Option Plan is designed to provide long term incentives for senior managers and employees to deliver long term shareholder returns. Under the plan, participants are granted options based on the Company meeting certain growth and acquisition targets. 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.

2011								
Grant Date	Expiry Date	Exercise Price	Balance at start of the year	Granted during the year	Exercised during the year	Expired / Forfeited during the year	Balance at end of the year	Vested and exercisable at end of the year
		A\$	Number	Number	Number	Number	Number	Number
8 May 2007	29 May 2011	0.20	4,000,067	–	–	(4,000,067)	–	–
8 May 2007	29 May 2011	0.30	3,999,967	–	–	(3,999,967)	–	–
8 May 2007	29 May 2011	0.40	1,999,966	–	–	(1,999,966)	–	–
17 Dec 2007	17 Dec 2010	0.30	7,500,000	–	–	(7,500,000)	–	–
25 Jan 2008	25 Jan 2011	0.30	10,500,000	–	–	(10,500,000)	–	–
10 Apr 2008	10 Apr 2012	0.35	1,500,000	–	–	–	1,500,000	–
1 Aug 2008	1 Aug 2012	0.60	2,500,000	–	–	–	2,500,000	–
15 Dec 2008	15 Dec 2010	0.60	2,000,000	–	–	(2,000,000)	–	–
1 Jul 2009	30 Jun 2014	0.12	7,500,000	–	–	–	7,500,000	7,500,000
8 Sep 2009	8 Sep 2012	0.12	6,000,000	–	–	(2,000,000)	4,000,000	4,000,000
19 Jan 2010	19 Jan 2013	0.12	1,000,000	–	–	–	1,000,000	1,000,000
16 Feb 2010	16 Feb 2013	0.12	5,500,000	–	–	–	5,500,000	5,500,000
11 Aug 2010	11 Aug 2013	0.12	–	3,000,000	–	–	3,000,000	3,000,000
26 Nov 2010	26 Nov 2013	0.12	–	13,000,000	–	–	13,000,000	13,000,000
30 Nov 2010	30 Nov 2013	0.13	–	6,000,000	–	–	6,000,000	6,000,000
16 Mar 2011	16 Mar 2014	0.13	–	4,000,000	–	–	4,000,000	4,000,000
Total			54,000,000	26,000,000	–	(32,000,000)	48,000,000	44,000,000
Weighted average exercise price – A\$			0.26	0.12	–	0.30	0.16	0.12

2010								
Grant Date	Expiry Date	Exercise Price	Balance at start of the year	Granted during the year	Exercised during the year	Expired / Forfeited during the year	Balance at end of the year	Vested and exercisable at end of the year
		A\$	Number	Number	Number	Number	Number	Number
8 May 2007	29 May 2011	0.20	4,083,400	–	–	(83,333)	4,000,067	4,000,067
8 May 2007	29 May 2011	0.30	4,333,300	–	–	(333,333)	3,999,967	3,999,967
8 May 2007	29 May 2011	0.40	3,333,300	–	–	(1,333,334)	1,999,966	–
17 Dec 2007	17 Dec 2010	0.30	8,000,000	–	–	(500,000)	7,500,000	7,500,000
25 Jan 2008	25 Jan 2011	0.30	10,500,000	–	–	–	10,500,000	10,500,000
10 Apr 2008	10 Apr 2012	0.35	2,000,000	–	–	(500,000)	1,500,000	–
1 Aug 2008	1 Aug 2012	0.60	2,500,000	–	–	–	2,500,000	–
15 Dec 2008	15 Dec 2010	0.60	2,000,000	–	–	–	2,000,000	2,000,000
1 Jul 2009	30 Jun 2014	0.12	–	7,500,000	–	–	7,500,000	–
8 Sep 2009	8 Sep 2012	0.12	–	6,000,000	–	–	6,000,000	–
19 Jan 2010	19 Jan 2013	0.12	–	1,000,000	–	–	1,000,000	1,000,000
16 Feb 2010	16 Feb 2013	0.12	–	5,500,000	–	–	5,500,000	–
Total			36,750,000	20,000,000	–	(2,750,000)	54,000,000	29,000,034
Weighted average exercise price – A\$			0.33	0.12	0.00	0.35	0.26	0.31

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

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

There were 30,000,000 options that expired during the periods covered by the above tables. The weighted average remaining contractual life of share options outstanding at the end of the year was 2 years.

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

Once the share based payment has been calculated it is not able to be adjusted. As such the option expense noted above is based upon historical calculations made during a time when the share price of the company was significantly higher than its current level.

Notes to the Consolidated Financial Statements

Fair value of options granted

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

2011 Grant date	11 August 2010	26 November 2010	30 November 2010	16 March 2011
Exercise price – A\$	\$0.12	\$0.12	\$0.13	\$0.13
Expiry date	11 August 2013	26 November 2013	30 November 2013	16 March 2013
Share price at grant date – A\$	\$0.09	\$0.09	\$0.09	\$0.09
Expected volatility	80%	80%	80%	45%
Expected dividend yield	Nil	Nil	Nil	Nil
Risk free rate	4.79%	4.79%	4.79%	4.79%

2010 Grant date	1 July 2009	8 September 2009	19 January 2010	16 February 2010
Exercise price – A\$	\$0.12	\$0.12	\$0.12	\$0.12
Expiry date	30 June 2014	8 September 2012	19 January 2013	16 February 2013
Share price at grant date – A\$	\$0.08	\$0.06	\$0.09	\$0.10
Expected volatility	81.4%	81.4%	80%	80%
Expected dividend yield	Nil	Nil	Nil	Nil
Risk free rate	5.17%	5.24%	4.95%	4.79%

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

b) Options: Consultants and Advisors

2011 Grant Date	Expiry Date	Exercise Price US\$	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Lapsed/ Forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
17 Dec 2007	17 Dec 2010	\$0.25	250,000	–	–	(250,000)	–	–
25 Jan 2008	25 Jan 2011	\$0.25	500,000	–	–	(500,000)	–	–
23 Jun 2009	3 Jul 2010	\$0.04	61,855,350	–	–	(61,855,350)	–	–
Total			62,605,350	–	–	(62,605,350)	–	–
Weighted average exercise price – USD\$			\$0.05	–	–	\$0.05	–	–

2010								
14 Dec 2007	30 Nov 2009	\$0.34	4,000,000	–	–	(4,000,000)	–	–
14 Dec 2007	30 Nov 2009	\$0.34	4,000,000	–	–	(4,000,000)	–	–
17 Dec 2007	17 Dec 2010	\$0.30	250,000	–	–	–	250,000	250,000
25 Jan 2008	25 Jan 2011	\$0.30	500,000	–	–	–	500,000	500,000
23 Jun 2009	3 Jul 2010	\$0.05	61,855,350	–	–	–	61,855,350	61,855,350
Total			70,605,350	–	–	(8,000,000)	62,605,350	62,605,350
Weighted average exercise price – USD\$			\$0.09	–	–	\$0.34	\$0.05	\$0.05

c) Options and Performance Rights: Key Management Personnel

Refer to note 20 for options and performance rights granted to Key Management Personnel.

d) Expenses arising from share based payment transactions

	Consolidated	
	2011 US \$'000	2010 US \$'000
Share-based payments expensed	1,509	534

31. Parent Entity Disclosures

As at, and throughout the financial year ended 30 June 2011, the parent company of the Group was Otto Energy Limited.

	Parent Entity	
	2011 US\$'000	2010 US\$'000
Summarised Statement Of Comprehensive Income		
Loss for the year after tax	(933)	(26,666)
Other comprehensive loss	–	(6,449)
Total comprehensive loss for the year	(933)	(33,115)
Summarised Statement of Financial Position		
Current Assets	15,964	6,961
Non Current Assets	38,937	42,878
Total Assets	54,901	49,839
Current Liabilities	581	673
Non Current Liabilities	60	51
Total Liabilities	641	724
Net Assets	54,260	49,115
Total equity of the parent entity comprising:		
Share Capital	131,577	128,991
Reserves	8,092	6,466
Retained Earnings	(85,409)	(86,342)
Total Equity	54,260	49,115

Notes to the Consolidated Financial Statements

32. Events occurring after reporting period

Otto Energy Ltd advises that it has entered into various definitive agreements to increase its stake in the producing Galoc Oil Field offshore the Philippines from an indirect 18.78% to direct 33.0% under Service Contract 14C ("Galoc"). Otto will assume 100% ownership of the Operating Company of the field, which is currently producing 6,800 oil barrels per day, on a 100% basis.

Under the terms of the transaction, Otto has agreed to acquire a 68.62% interest in the Galoc Production Company WLL ("GPC"), the operator of Galoc, from Vitol Group, increasing Otto's interest in GPC from 31.38% to 100%. Through the acquisition Otto will initially increase its stake to 59.84% of Service Contract 14C. Otto has then agreed to cause GPC to on-sell, on the same per percentage point terms, a 26.84% of this stake to Singapore energy investment company Risco Energy Pte Ltd, bringing Otto's post acquisition stake in Galoc to 33.0%. This transaction is subject to relevant Philippines government approvals.

The effective date of the purchase agreement is 1 April 2011. The total purchase price for Otto's share of the purchase price is US\$18.7 million. The acquisition will be funded from Otto's existing cash reserves. Completion is scheduled to occur prior to 30 September 2011.

33. New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The group's assessment of the impact of these new standards and interpretations is set out below.

Reference	Title	Summary	Application date of standard	Impact on Group Financial Report	Application date for Group
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below. (a) Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria. (b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.	Periods commencing on or after 1 January 2013	No material impact anticipated upon group financial statements.	1 July 2013

Reference	Title	Summary	Application date of standard	Impact on Group Financial Report	Application date for Group
AASB 124 (Revised)	Related Party Disclosures (December 2009)	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: (a) the definition now identifies a subsidiary and an associate with the same investor as related parties of each other; (b) entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and (c) the definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other. A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.	Periods commencing on or after 1 January 2011	No material impact anticipated upon group financial statements.	1 July 2011
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes: • two categories for financial assets being amortised cost or fair value • removal of the requirement to separate embedded derivatives in financial assets • strict requirements to determine which financial assets can be classified as amortised cost or fair value, Financial assets can only be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest and (b) the entity's purpose for holding the instrument is to collect the contractual cash flows • an option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition • reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes • changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income	Periods commencing on or after 1 January 2013	No material impact anticipated upon group financial statements.	1 July 2013
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. In particular, it amends AASB 8 Operating Segments to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB.	Periods commencing on or after 1 January 2011	No material impact anticipated upon group financial statements	1 July 2011

Notes to the Consolidated Financial Statements

Reference	Title	Summary	Application date of standard	Impact on Group Financial Report	Application date for Group
AASB 2009-14	Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	These amendments arise from the issuance of Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14). The requirements of IFRIC 14 meant that some entities that were subject to minimum funding requirements could not treat any surplus in a defined benefit pension plan as an economic benefit. The amendment requires entities to treat the benefit of such an early payment as a pension asset. Subsequently, the remaining surplus in the plan, if any, is subject to the same analysis as if no prepayment had been made.	Periods commencing on or after 1 January 2011	No impact anticipated upon group financial statements.	1 July 2011
AASB 1054	Australian Additional Disclosures	This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB. This standard relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas: (a) Compliance with Australian Accounting Standards (b) The statutory basis or reporting framework for financial statements (c) Whether the financial statements are general purpose or special purpose (d) Audit fees (e) Imputation credits	Periods commencing on or after 1 July 2011	No impact anticipated upon group financial statements.	1 July 2011
AASB 2010-2	Amendments to Australian Accounting Standards arising from reduced disclosure requirements	This Standard gives effect to Australian Accounting Standards – Reduced Disclosure Requirements. AASB 1053 provides further information regarding the differential reporting framework and the two tiers of reporting requirements for preparing general purpose financial statements.	Periods commencing on or after 1 July 2013	Impact has not currently been assessed.	1 July 2013
AASB 2010-5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB. These amendments have no major impact on the requirements of the amended pronouncements.	Periods commencing on or after 1 January 2011	No material impact anticipated upon group financial statements.	1 July 2011
AASB 2010-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]	The amendments increase the disclosure requirements for transactions involving transfers of financial assets. Disclosures require enhancements to the existing disclosures in IFRS 7 where an asset is transferred but is not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale.	Periods commencing on or after 1 July 2011	No material impact anticipated upon group financial statements.	1 July 2011

Reference	Title	Summary	Application date of standard	Impact on Group Financial Report	Application date for Group
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, & 1038 and interpretations 2, 5, 10, 12, 19 & 127]	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: • The change attributable to changes in credit risk are presented in other comprehensive income (OCI) • The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	Periods commencing on or after 1 January 2013	No material impact anticipated upon group financial statements.	1 July 2013
AASB 2010-8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets into AASB 112.	Periods commencing on or after 1 January 2011	No material impact anticipated upon group financial statements.	1 July 2012
AASB 2011-1	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132, AASB 134, Interpretation 2, Interpretation 112, Interpretation 113]	This Standard amends many Australian Accounting Standards, removing the disclosures which have been relocated to AASB 1054.	Periods commencing on or after 1 July 2011	No material impact anticipated upon group financial statements.	1 July 2011
AASB 2011-2	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project – Reduced disclosure regime [AASB 101, AASB 1054]	This Standard makes amendments to the application of the revised disclosures to Tier 2 entities that are applying AASB 1053.	Periods commencing on or after 1 July 2013	No material impact anticipated upon group financial statements.	1 July 2013

Notes to the Consolidated Financial Statements

Reference	Title	Summary	Application date of standard	Impact on Group Financial Report	Application date for Group
Issued by IASB, AASB to be advised	Consolidated Financial Statements	IFRS 10 establishes a new control model that applies to all entities. It replaces parts of IAS 27 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This is likely to lead to more entities being consolidated into the group.	Periods commencing on or after 1 January 2013	No material impact anticipated upon group financial statements	1 July 2013
Issued by IASB, AASB to be advised	Joint Arrangements	IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly- controlled Entities – Non-monetary Contributions by Ventures. IFRS 11 uses the principle of control in IFRS 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the group.	Periods commencing on or after 1 January 2013	No material impact anticipated upon group financial statements.	1 July 2013
Issued by IASB, AASB to be advised	Disclosure of Interests in Other Entities	IFRS 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	Periods commencing on or after 1 January 2013	No material impact anticipated upon group financial statements.	1 July 2013
Issued by IASB, AASB to be advised	Fair Value Measurement	IFRS 13 establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under IFRS when fair value is required or permitted by IFRS. Application of this definition may result in different fair values being determined for the relevant assets. IFRS 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.	Periods commencing on or after 1 January 2013	No material impact anticipated upon group financial statements.	1 July 2013

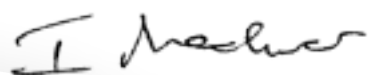
Director's Declaration

In the Directors' opinion:

- a) The financial statements and accompanying notes are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements
 - (ii) giving a true and fair view of the group's financial position as at 30 June 2011 and of its performance for the year ended on that date
- b) The financial statements and notes comply with International Financial Reporting Standards as disclosed in note 1.
- c) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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



MR I MACLIVER | DIRECTOR

29 September 2011



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Australia

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OTTO ENERGY LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Otto Energy Limited, which comprises the consolidated balance sheet as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

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



Opinion

In our opinion:

- (a) the financial report of Otto Energy Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Otto Energy Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

A blue ink signature of Peter Toll, written over a faint BDO logo.

Peter Toll
Director

Perth, Western Australia
Dated this 29th day of September 2011

Corporate Governance Statement

In fulfilling its obligations and responsibilities to its various stakeholders, the Board is a strong advocate of corporate governance. This statement outlines the principal corporate governance procedures of Otto Energy Limited (Otto Energy or the Company). The Board of Directors supports a system of corporate governance to ensure that the management of Otto Energy is conducted to maximise shareholder wealth in a proper and ethical manner.

ASX Corporate Governance Council Recommendations

The Board has adopted corporate governance policies and practises consistent with the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations 2nd edition" ("Recommendations") where considered appropriate for a company of Otto Energy's size and nature. Such policies include, but are not limited to the Board Charter, Board Committee Charters, Code of Conduct, Trading in Securities, Continuous Disclosure, Shareholder Communication and Risk Management Policies. Further details in respect to the Company's corporate governance practises are summarised below and copies of Company's corporate governance policies are available on the Company's web site at www.ottoenergy.com. The Board sets out below its "if not why not" report in relation to matters of corporate governance where the Company's practise departs from the Recommendations. All Recommendations have been applied for the financial year ended 30 June 2011 unless set out below.

Recommendation 2.4 requires listed entities to establish a nomination committee. During the year, the Company established a nomination committee.

Recommendation 4.2 requires the audit committee be structured such that it consists of: only Non-Executive Directors, a majority of independent Directors, is chaired by an independent Chair, who is not the Chair of the Board and have at least three members. The Company's audit committee during the year comprised two Non-Executive, independent Directors, Messrs Ian MacIver and Rick Crabb. Given the current size and technical expertise of the Board an audit committee comprising only two Directors was considered appropriate for the Company.

Recommendation 8.1 states that the Board should establish a remuneration committee. During the year, the Company established a remuneration committee.

In relation to the above, the Board believes it has implemented suitable practices and procedures in respect of Corporate Governance considering the size of the Board and the size and maturity of the Company. The Board wishes to acknowledge that nothing has come to its

attention which would lead the Board to conclude that its current practices and procedures are not appropriate for an organisation of this size and maturity.

Roles of the Board and Management

The Board considers that the essential responsibilities of the Directors are to oversee Otto's activities for the benefit of its shareholders, employees and other stakeholders and to protect and enhance shareholder value. The Board has a Charter, which clearly establishes the relationship between the Board and management and describes their functions and responsibilities.

The key responsibilities of the Board include:

- contributing to the development of and approving corporate strategy;
- appoint and review the performance of the Managing Director/Chief Executive Officer;
- reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives;
- arrange for effective budgeting and financial supervision;
- ensure that effective and appropriate reporting systems in place will, in particular, assure the Board that financial, operational, compliance and risk management controls function adequately;
- ensure that appropriate audit arrangements are in place; and
- reporting to shareholders.

Board Structure

The composition of the Board shall be determined in accordance with the following principles and guidelines:

- the Board shall comprise at least 3 Directors, increasing where additional expertise is considered desirable in certain areas;
- the Chairman should be non executive;
- the Board should not comprise a majority of Executive Directors; and
- Directors should bring characteristics which allow a mix of qualifications, skills and experience.

The terms and conditions of the appointment and retirement of Directors are set out in a letter of appointment which covers remuneration, expectations, terms, the procedures for dealing with conflicts of interest and the availability of independent professional advice.

The Chairman reviews the performance of all Directors each year.

Director Independence

Directors are expected to bring independent views and judgement to the Board's deliberations. In response to the ASX Principles, the Board Charter requires the Board to include a majority of Non-Executive independent Directors and a Non-Executive independent Chairman. In considering whether a Director is independent, the Board has had regard to the independence criteria outlined in Recommendation 2.1 and other facts, information and circumstances that the Board considers to be material. All of the Non-Executive Directors are regarded as independent.

Meetings of the Board

The Board meets at least six times a year to consider the business of Otto Energy, its financial performance and other operational issues.

Retirement and Re-election

The Constitution of the Company requires one third of the Directors to retire from office at each Annual General Meeting. Directors who have been appointed by the Board are required to retire from office at the next Annual General Meeting and are not taken into account in determining the number of Directors to retire at that Annual General Meeting. Directors cannot hold office for a period in excess of three years or later than the third Annual General Meeting following their appointment without submitting themselves for re-election (excluding the Managing Director). Retiring Directors are eligible for re-election by shareholders.

When a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board will select appropriate candidates with relevant qualifications, skills and experience. External advisers may be used to assist in such a process. The Board will then appoint the most suitable candidate who must stand for election at the next general meeting of shareholders.

Nomination and appointment of new Directors

Recommendations of candidates for new Directors are made by the Board as a whole.

Review of Performance

The Board reviews its performance and composition on an annual basis to ensure that it has the appropriate mix of expertise and experience. Given the size and nature of the Company's activities the Board reviews the performance of Directors and the composition of the Board, at regular intervals during the year.

Directors' Remuneration

The remuneration of Non-Executive Directors is different to that of Other Key Management Personnel. Executive Directors receive a salary and may receive other benefits.

Non-Executive Directors receive a set fee per annum, in addition to their statutory superannuation entitlements, and are fully reimbursed for any out of pocket expenses necessarily incurred in carrying out their duties. When reviewing Director's fees the Board takes into account any changes in the size and scope of Otto Energy's activities.

The Board will review the remuneration and policies applicable to all Directors on an annual basis. Remuneration levels will be competitively set to attract the most qualified and experienced Directors and senior Other Key Management Personnel. Where necessary the Board will obtain independent advice on the appropriateness of remuneration packages.

The structure and disclosure of the Company's remuneration policies for Directors are set out in the Directors Report.

Board Access to Information

All Directors have unrestricted access to all employees of the Company and, subject to the law, access to all company records and information held by and employee/s and/or external advisers. The Board receives regular detailed financial and operational reports to enable it to carry out its duties.

Each Director may, with the prior written approval of the Chairman, obtain independent professional advice to assist the Director in the proper exercise of powers and discharge of duties as a Director or as a member of a Board Committee. The Company will reimburse the Director for the reasonable expense of obtaining that advice.

Corporate Governance Statement

Board Committees

The Board, where appropriate, may establish a number of committees to assist in carrying out its responsibilities in an effective and efficient manner.

The Board has established a Remuneration & Nomination Committee to assist the Board in the discharge of its responsibilities and is governed by the Remuneration & Nomination Committee Charter, as approved by the Board.

The Board has established an Audit Committee to assist the Board in the discharge of its responsibilities and is governed by the Audit Committee Charter, as approved by the Board.

Audit Committee

The Board has an Audit Committee. The Committee monitors internal control policies and procedures designed to safeguard Company assets and to maintain the integrity of financial reporting. The role of the Committee is to provide a direct link between the Board and the external auditors.

It will also give the Board of Directors additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in financial statements.

The responsibilities of the Audit Committee include:

- reviewing and reporting to the Board on the annual and half year financial reports, the financial section of quarterly reports and all other financial information published by the Company prior to release to members and other public forums;
- assisting the Board in reviewing the effectiveness of the organisation's internal control environment covering effectiveness and efficiency of operations, reliability of financial reporting, compliance with applicable laws and regulations and monitoring of corporate risk assessment processes;
- co-ordinating the audit with the external auditor including reviews of internal control measures;
- reviewing and approving any significant non-mandatory accounting policy change; and
- recommending to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and the auditor's independence, and consider if appropriate, the rotation of audit partners.

The Audit Committee will review the performance of the external auditors on an annual basis and meet with them at least twice during the year. Nomination of auditors will be at the discretion of the Committee. The Audit Committee also meets with and receives reports from the external auditors concerning any matters which arise in connection

with the performance of their respective roles, including the adequacy of internal controls.

The members of the Audit and Compliance Committee at the date of this report are Mr Ian MacIver (Chairman) and Mr Rick Crabb.

Remuneration & Nomination Committee

The Board has a Remuneration & Nomination Committee.

The role of the Committee is to provide a general methodology for compensation and oversee the development and implementation of the compensation regime.

The responsibilities of the Nomination and Remuneration Committee include:

- review and recommend to the Board the overall strategies in relation to executive remuneration policies;
- review and make recommendations to the Board in respect of the compensation arrangements for all Non-Executive Directors, the Chief Executive Officer and all other senior executives;
- review the effectiveness of performance incentive plans;
- review and make recommendations to the Board in respect of all equity based remuneration plans.
- review and make recommendations to the Board in respect of the Company's recruitment, retention and termination policies and superannuation arrangements;
- review the composition of the Board and ensure that the Board has an appropriate mix of skills and experience to properly fulfil its responsibilities; and
- ensure that the Board is comprised of directors who contribute to the successful management of the Company and discharge their duties having regard to the law and the highest standards of corporate governance.
- review and make recommendations to the Board in respect of the succession plans of senior executives (other than executive Directors) and ensuring the performance of senior executives is reviewed at least annually;
- consider nominations for potential candidates to act as Directors.

Ultimate responsibility for the Company's nomination and remuneration policies remains with the Board.

Auditor Independence

The Company has implemented procedures to monitor the independence and competence of the Company's external auditors. Details of the amounts paid for both audit work and non-audit services are set out in this annual report.

The Board requires that adequate hand-over occurs in the year prior to rotation of an audit partner to ensure an efficient and effective audit under the new partner.

Business Risks

The Company is committed to the identification, monitoring and management of risks associated with its business activities and has embedded in its management and reporting systems a number of risk management controls. The Board is charged with implementing appropriate risk management systems within the Company.

The Board will monitor and receive advice on areas of operational and financial risk, and consider strategies for appropriate risk management arrangements.

Specific areas of risk identified initially and which will be regularly considered at Board meetings include operating risks, commodity price volatility and exchange rate risks, environmental risks, title risks, competition, statutory compliance and continuous disclosure obligations.

The Board has received the declaration in accordance with section 295A of the Corporations Act in respect to the financial accounts for the year ended 30 June 2011 which is founded on a sound system of risk management and internal controls and these systems are operating effectively in all material respects in relation to the financial reporting risks.

Share Trading

Under the Company's Share Trading Policy, all employees and Directors of the Company and its related companies are prohibited from trading in the Company's shares or other securities if they are in possession of "inside information". Subject to this condition and in light of the ASX's continuous disclosure requirements, trading can occur at any time but subject to conditions surrounding periods prior to the publication of financial results and disclosure documents.

In addition, in order to trade, employees and Directors must advise the Audit Committee of their intention to trade and must also have been advised by one of the Audit Committee Directors that there is no known reason to preclude them trading in the Company's shares or other securities.

Diversity

The Company recognises that a talented and diverse workforce is a key competitive advantage. The Company is committed to an inclusive workplace that embraces diversity and values, respects and leverages the unique contributions of people with diverse backgrounds, experiences and perspectives. Under the Company's Diversity policy it is a requirement to recruit and manage on the basis of competence and performance regardless of age, nationality, race, gender, religious beliefs, sexuality, physical ability or cultural background. It is essential that we have the right person for the right job and that we deliver at a high level of performance.

Continuous Disclosure

The Company understands and respects that timely disclosure of price sensitive information is central to the efficient operation of the ASX securities market and has adopted a comprehensive policy covering announcements to the Australian Securities Exchange, prevention of selective or inadvertent disclosure, conduct of investor and analysts briefings, media communications, commenting on expected earnings, communications black-out periods and review of briefings and communications. The policy is reviewed periodically and updated as required.

The Company Secretary has responsibility for overseeing and coordinating disclosure of information to the Australian Securities Exchange. The Company Secretary also liaises with the Chairman in relation to continuous disclosure matters. The Chief Executive Officer is responsible for overseeing and coordinating disclosure of information to analysts, brokers and shareholders.

Ethical Standards

All Directors, Other Key Management Personnel and employees are charged with the responsibility to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

It is the Board's responsibility to ensure that all staff are aware of the Company's Code of Conduct and to ensure that any individual who does not adhere to these ideals is dealt with appropriately by executive management. Appropriate action may be counselling, disciplinary action or termination of employment.

The Board is responsible for setting the tone of legal, ethical and moral conduct to ensure that the Company is considered reputable by the industry and other outside entities. This involves considering the impact of the Company's decisions on the industry, colleagues and the general community.

Corporate Governance Statement

Communications with Shareholders

The Board aims to ensure that shareholders are kept informed of all major developments affecting Otto Energy. Information is communicated to shareholders through the distribution of annual reports; and by presentation to shareholders at the Annual General Meeting, which they are encouraged to attend.

Further information about the Company's Corporate Governance practices is provided on the Company's website at www.ottoenergy.com. Information published on the Company's website includes charters (for the Board and its sub-committees), the Company's Code of Conduct and other policies and procedures relating to the Board and its responsibilities. In addition, all reports, including quarterly reports and releases made by Otto Energy throughout the year with respect to its activities are distributed widely via the Australian Securities Exchange and posted on the Company's website located at www.ottoenergy.com.

ASX Additional Information

Additional information required by the ASX Limited Listing Rules not disclosed elsewhere in this Annual Report is set out below.

1. Shareholdings

The issued capital of the Company at 12 September 2011 is 1,138,290,071 ordinary fully paid shares. All ordinary shares carry one vote per share. There are no listed options.

Ordinary Shares	No. of Holders	No. of Shares
100,001 and over	624	1,064,924,492
10,001 – 100,000	1,612	67,865,819
5,001 – 10,000	513	4,370,757
1,001 – 5,000	348	1,112,011
1 – 1,000	82	16,992
	3,179	1,138,290,071
Number holding less than a marketable parcel size of 1,363,385 shares at A\$0.081 per share	520	1,642,480
Shareholders by Location		
Australian holders	2,890	832,184,473
Overseas holders	287	316,105,598
	3,177	1,138,290,071

2. Top 20 Shareholders as at 12 September 2011

		No. of Shares Held	% Held
1	MOLTON HOLDINGS LTD	241,910,757	21.25%
2	SANTO HOLDING AG	241,910,757	21.25%
3	ACORN CAPITAL LIMITED	83,889,340	7.37%
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	34,990,048	3.07%
5	NATIONAL NOMINEES LIMITED	24,785,468	2.18%
6	ESCOR INVESTMENTS PTY LTD	20,000,000	1.76%
7	J P MORGAN NOMINEES AUSTRALIA LIMITED	19,407,736	1.70%
8	JOHN JETTER (CONSOLIDATED RELEVANT INTEREST)	19,089,175	1.68%
9	RICK CRABB (CONSOLIDATED RELEVANT INTEREST)	16,995,052	1.49%
10	CITICORP NOMINEES PTY LIMITED	14,895,338	1.31%
11	YRS INVESTMENTS LIMITED	13,520,833	1.19%
12	CITICORP NOMINEES PTY LIMITED	12,801,550	1.12%
13	RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	10,866,695	0.95%
14	JP MORGAN NOMINEES AUSTRALIA LIMITED	8,704,685	0.76%
15	ESCOT FINANCE LTD	8,150,000	0.72%
16	MIDDLE EAST PETROLEUM SERVICES LTD	7,191,345	0.63%

		No. of Shares Held	% Held
17	IAN MACLIVER (CONSOLIDATED RELEVANT INTEREST)	6,306,942	0.55%
18	MLEQ NOMINEES PTY LIMITED	5,822,283	0.51%
19	DALY FINANCE CORP	5,763,250	0.51%
20	FORSYTH BARR CUSTODIANS LTD	5,717,186	0.50%
		802,718,440	70.52%

3. Substantial Shareholders as at 12 September 2011

		No. of Shares Held	% Held
1	MOLTON HOLDINGS LTD	241,910,757	21.25%
2	SANTO HOLDING AG	241,910,757	21.25%
3	ACORN CAPITAL LIMITED	83,889,340	7.37%

4. Unquoted Securities

The unlisted securities of the Company as at 12 September 2011 are 44,000,000 Options. The Options do not carry a right to vote at a general meeting of shareholders.

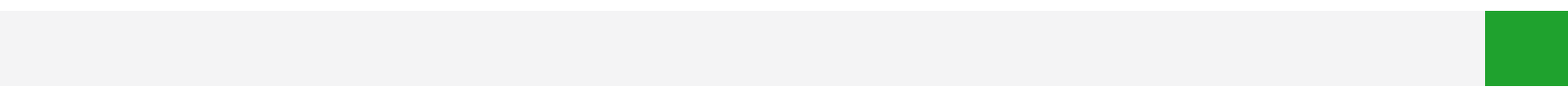
Unlisted Options

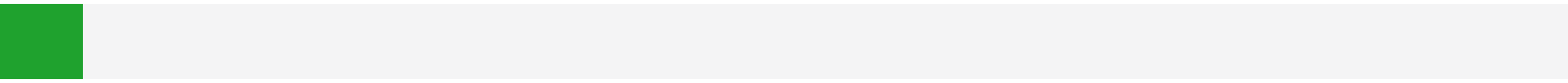
Vesting Date	Expiry Date	Exercise Price	No. of Options	No. of Holders
10 April 2009	10 April 2012	A\$0.35	1,500,000	1
1 August 2009	1 August 2012	A\$0.60	2,500,000	1
8 September 2009	8 September 2012	A\$0.12	4,000,000	3
19 January 2010	19 January 2013	A\$0.12	1,000,000	1
16 February 2010	16 February 2013	A\$0.12	5,500,000	5
11 August 2010	11 August 2013	A\$0.12	3,000,000	1
26 November 2010	26 November 2013	A\$0.12	13,000,000	3
30 November 2010	30 November 2013	A\$0.12	6,000,000	2
1 July 2009	30 June 2014	A\$0.12	7,500,000	1
			44,000,000	

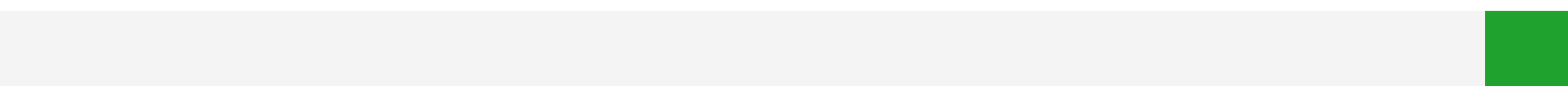
* subject to meeting certain share price and service hurdles

5. Voting Rights

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









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