FY24 FINANCIAL RESULTS

Otto Energy Limited (ASX:OEL) (**Otto** or the **Company**) is pleased to provide its financial results for the fiscal year ended 30 June 2024.

Financial Highlights

- **Net operating revenue of US$20.4 million** (FY23: US$33.4 million), a decrease attributable to lower commodity prices and lower production.
- **Non-cash impairment charge of US$9.1 million** (FY23: US$19.8 million) as a result of cost overruns and lower than expected performance from Green Canyon 21 (GC 21).
- **Adjusted EBITDA of US$9.8 million** (FY23: US$16.7 million), a decrease attributable to lower net operating revenues, higher gathering and production charges offset by lower administrative (G&A) costs and exploration costs. Impairment charges of US$9.1 million (FY23 US$19.8 million) are excluded in the Adjusted EBITDA calculation. See Appendix 1 for further information on EBITDA and Adjusted EBITDA.
- Net loss before tax of US$1.2 million (FY23: US$9.9 million).
- Net operating cashflow of US$7.8 million (FY23: US$17.1 million).
- Free cashflow (operating net investing) of US$14.3 million (FY23: US$1.5 million).

Further Enhanced Liquidity

- Balance sheet date cash of US$40.5 million.
- Hedge free, delivering full exposure to current prices.
- Debt-free
- Receipt of insurance claim payment of US$7.6 million, net to Otto.
- Sale of remaining shares of Pantheon Resources Plc (PANR) for net proceeds of US$1.0 million

Operational Performance

- Production for the year declined to 1,728 boe/d at 50% liquids (FY23: 2,308 boe/d at 56% liquids).

The table below summarizes the Company's production, working interest (WI) revenue and prices received during the fiscal years ended 30 June 2024 and 2023.

	FY 2024	FY 2023	% Change
Total Oil (Bbls)	254,007	403,922	-37%
Total Gas (Mcf)	1,889,074	2,203,444	-14%
Total NGLs (Bbls)	63,419	71,371	-11%
Total BOE	632,272	842,533	-25%
Total (Boe/d)	1,728	2,308	-25%
Percent Liquids (%)	50%	56%	-11%
Total WI Revenue (US$MM)	$ 25.0	$ 44.1	-43%
Oil WI revenue ($millions)	$ 19.4	$ 32.3	-40%
Avg oil price ($/Bbl)	$ 76.51	$ 79.99	-4%
Gas WI revenue ($millions)	$ 4.4	$ 9.8	-55%
Avg gas price ($/Mcf)	$ 2.28	$ 4.50	-49%
NGL WI revenue ($millions)	$ 1.1	$ 1.7	-35%
Avg NGL price ($/Bbl)	$ 17.21	$ 23.37	-26%
Total WI revenue ($millions)	$ 25.0	$ 43.7	-43%
Avg WI price ($/Boe)	$ 39.49	$ 51.93	-24%

Strategy and Governance

- The Company has completed its 2023 strategic review and concluded its M&A process with offers not matching the Company's assessment of current value and therefore the Company has decided to focus on its existing assets, reducing costs and maximising returns to shareholders.
- The Company continues to work towards obtaining a tax ruling from the Australian Tax Office deeming the proposed distribution approved by shareholders at the 2023 annual general meeting of up to A$0.008 per share to be a tax-free return of capital.
- Continuing to streamline corporate structure to reduce complexity and costs. Company looking to reduce costs further during subsequent financial year.
- John Jetter, Chairman and Non-Executive Director retired effective 30 June 2024. Geoff Page was appointed Interim Chairman effective 1 July 2024.
- Stephen Herod resigned as Chief Executive Officer effective 15 July 2024 and Philip Trajanovich was appointed Active Chief Executive Officer effective 16 July 2024

COMMENT FROM ACTING CHIEF EXECUTIVE OFFICER, MR PHILIP TRAJANOVICH

"Despite a year of lower production and commodity pricing, the Company had an impressive cash build for the year of $14.6 MM, due to stable production, receipt of insurance claim and effective cost reductions, and is in an excellent financial position going forward with strong cash reserves and focusing on future cash flow generation from our existing producing assets. The Company is working diligently on obtaining a tax ruling from the ATO in relation to its proposed capital return of up to A$40 MM and using its excess cash at bank and future net operating cash flow to make future additional distributions to shareholders".

This release is approved by the Board of Otto.

Philip Trajanovich Chief Executive Officer +61 8 6467 8800 info@ottoenergy.com	**Investors:** Mark Lindh AE Advisors +61 (0) 414 551 361

OTTO AT A GLANCE

Otto is an ASX-listed oil and gas exploration and production company focused on the Gulf of Mexico and US Gulf Coast region. Otto currently has production from its SM 71 and GC 21fields in the Gulf of Mexico, production from its Lightning asset onshore Texas and , Mosquito Bay West and Oyster Bayou South fields in the State waters of Louisiana. Cashflow from its producing assets underpins its strategy and financial stability.

DIRECTORS
Paul Senycia – Non-Executive Deputy Chairman
John Madden – Non-Executive
Geoff Page – Non-Executive Interim Chairman

ACTING CHIEF EXECUTIVE OFFICER
Philip Trajanovich

CHIEF FINANCIAL OFFICER
Julie Dunmore

ASX Code: OEL

COMPANY SECRETARY
Kaitlin Smith (AE Administrative Services)

CONTACTS
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Definitions

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

Appendix 1 - Reconciliation of non-IFRS financial information

Where indicated, this announcement also contains some non-IFRS financial information, including in the FY2024 Highlights. Below is a reconciliation of non-IFRS financial information to audited IFRS financial information. EBITDAX (earnings before interest, tax, depreciation, depletion, exploration and evaluation), EBITDA (earnings before interest, tax, depreciation, and depletion) and EBIT (earnings before interest and tax) are non IFRS measures that are presented to provide investors with further information and perspective on the overall financial performance and operations of the Company. The non-IFRS financial information is unaudited, however the numbers have been extracted from the audited financial statements. The audited Financial Report accompanies this summary release and is available on the Otto Energy website at www.ottoenergy.com. Please refer to the audited financial statements for the IFRS financial information.

	US$(000)		$/Boe	
	30 June 2024	**30 June 2023**	**30 June 2024**	**30 June 2023**
Operating revenue, net of royalties	20,366	33,432	32.21	39.68
Gathering and production charges (opex)	(6,715)	(5,900)	(10.62)	(7.00)
Cash Operating Gross Profit	**13,651**	**27,532**	**21.59**	**32.68**
Gain/(loss) on derivatives	-	1,501	-	1.78
Net admin costs (G&A) *	(3,664)	(5,995)	(5.79)	(7.12)
New ventures and business development costs	(174)	(379)	(0.28)	(0.45)
Gain/(loss) on investments at fair value	517	(3,029)	0.82	(3.60)
Impairment losses	(9,101)	(19,800)	(14.39)	(23.50)
EBITDAX	**1,229**	**(170)**	**1.94**	**(0.20)**
Exploration expenditures	(514)	(2,977)	(0.81)	(3.53)
EBITDA	**715**	**(3,147)**	**1.13**	**(3.74)**
Amortisation of capitalised developments	(3,029)	(5,839)	(4.79)	(6.93)
Depreciation - admin	(46)	(63)	(0.07)	(0.07)
EBIT	**(2,360)**	**(9,049)**	**(3.73)**	**(10.74)**
Finance (costs)/income	1,184	(875)	1.87	(1.04)
Net income (loss) before tax from continuing operations	**(1,176)**	**(9,924)**	**(1.86)**	**(11.78)**
Tax	(477)	2,918	(0.75)	3.46
Net income (loss) after tax from continuing operations	**(1,653)**	**(7,006)**	**(2.61)**	**(8.32)**
* Net admin costs (G&A) includes:			-	
employee benefits	(2,123)	(3,597)	(3.36)	(4.27)
corporate costs	(1,850)	(2,328)	(2.93)	(2.76)
FX gain/(loss)	309	(70)	0.49	(0.08)
Net admin costs (G&A)	**(3,664)**	**(5,995)**	**(5.79)**	**(7.12)**
Adjusted EBITDA **	**9,816**	**16,653**	**15.52**	**19.77**

** Adjusted EBITDA are EBITDA above, less impairment adjustment

Impairment losses	(9,101)	(19,800)	(14.39)	(23.50)

Otto Energy Limited

Financial Report

For the year ended 30 June 2024

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Annual General Meeting

The Annual General Meeting of Otto Energy Limited will be held on 29 November 2024.

This year's Annual General Meeting will be conducted as a physical meeting on 29 November 2024.

Further details will be provided in the Company's notice of Annual General Meeting.

CORPORATE DIRECTORY

Directors	Mr Geoff Page – Interim Non-Executive Chairman Mr Paul Senycia – Non-Executive Deputy Chairman Mr John Madden – Non-Executive Director
Company Secretary	Ms Kaitlin Smith
Key Executives	Mr Philip Trajanovich – Acting Chief Executive Officer Ms Julie Dunmore – Chief Financial Officer
Principal registered office in Australia	Ground Floor 70 Hindmarsh Square Adelaide SA 5000 Tel: + 61 8 6467 8800 Fax: + 61 8 6467 8801
Houston Office	717 Texas Avenue Suite 1200 Houston, TX 77002 Tel: +1 713-893-8894
Share Registry	Link Market Services Limited Level 12 QV1 Building 250 St Georges Terrace Perth WA 6000 Tel: + 61 8 9211 6670 Fax: + 61 2 9287 0303
Auditors	BDO Audit Pty Ltd Level 9, Mia Yellagonga Tower 2 5 Spring Street Perth WA 6000 Tel: + 61 8 6382 4600 Fax: + 61 8 6382 4601
Securities Exchange Listing	Australian Securities Exchange ASX Code: OEL
Website address	www.ottoenergy.com
ABN	56 107 555 046

The Directors present their report together with the consolidated financial statements of the Group comprising Otto Energy Limited (referred to as 'Otto' or the 'Company') and its subsidiaries for the financial year ended 30 June 2024 and the auditors' report thereon.

DIRECTOR’S REPORT

For the year ended 30 June 2024

Directors

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

Mr John Jetter BLaw, BEcon, INSEAD
Chairman (Independent Non-Executive)
Appointed Non-Executive Director 10 December 2007; Appointed Non-Executive Chairman 25 November 2015; Retired as Chairman but remained as Non-Executive Director 21 November 2019; Re-appointed Non-Executive Chairman 1 April 2020; Appointed Executive Chairman 10 June 2020; Re-appointed Non-Executive Chairman 11 September 2020; Retired as Chairman but remained as Non-Executive Director 19 November 2020; Re-appointed Non-Executive Chairman 19 June 2023; Retired as Chairman and Non-Executive Director effective 30 June 2024.
Mr John Jetter is the former Managing Director, CEO and head of investment banking of JP Morgan in Germany, Austria, and Switzerland, and a member of the European Advisory Council, JP Morgan London. Mr Jetter has held senior positions with JP Morgan throughout Europe, focusing his attention on major corporate clients advising on some of Europe's largest corporate transactions. Mr Jetter has been a non-executive director of Venture Minerals Limited since June 2010. He was a member of the Audit and Risk Committee and Remuneration and Nomination Committee for the full year ending 30 June 2024.

Mr Paul Senycia BSc (Hons), MAppSc
Deputy Chairman (Independent Non-Executive)
Appointed Executive Director 24 April 2018; Became Non-Executive Director 1 January 2019; Appointed Deputy Chairman 19 June 2023
Mr Paul Senycia is a seasoned geoscientist with over 40 years of international oil and gas experience in both commercial and technical aspects of the business. Mr Senycia has held senior roles in large and small companies worldwide including Shell, Woodside and Beach Petroleum. Over the last twenty years Mr Senycia has accumulated substantial Gulf of Mexico expertise both on the shelf and in the deep water. This has included deal capture, asset management and project divestment activities. Outside the Gulf of Mexico, Mr Senycia has worked in Europe, Asia, Africa and Australasia both on and offshore. Up until his retirement on 31 December 2018, Mr Senycia was the Vice President – Exploration and New Ventures for the Company. Mr Senycia is a member of the Audit and Risk Committee and Chairman of the Remuneration and Nomination Committee. Mr Senycia has not held any other directorships in the last three years.

Mr John Madden BCom (Melb), FCPA, FGIA, MAICD
Director (Independent Non-Executive)
Appointed Non-Executive Director 1 July 2022
Mr Madden has over 40 years’ experience with a proven track record encompassing administrative, acquisitions, business analysis, community consultation, corporate secretarial functions, feasibility studies, financing (including equity raising for listed and unlisted entities), IPO on ASX/AIM market, planning and strategic studies, accounting and taxation. These experiences were gained through positions held at both major and junior mining companies at corporate and operating levels. Mr Madden is an FCPA, FGIA and MAICD. Mr Madden was a director of AKORA Resources Limited from 6 October 2009 until 31 August 2023 and secured the iron ore permits for AKORA in Madagascar. Mr Madden is Chairman of the Audit and Risk Committee and a member of the Remuneration and Nomination Committee.

Mr Geoff Page MBA, CPA, FCMA, FGIA
Director (Non-Executive)
Appointed Non-Executive Director 17 July 2020; Appointed Interim Chairman effective 1 July 2024.
Mr Geoff Page is a finance professional with over 20 years of senior finance, accounting and management experience gained globally within a number of industries. He has over 10 years of Board experience gained in several different firms. Mr Page is a member of CPA Australia, Fellow Member of the Chartered Institute of Management Accountants and a Fellow Member of the Governance Institute of Australia. Mr Page is a member of the Audit and Risk Committee and Remuneration and Nomination Committee.

Company Secretary

Ms Kaitlin Smith BCom (Acc), CA, FGIA
Appointed 2 November 2019
Ms Smith is an experienced Company Secretary, finance and corporate governance professional and has held Company Secretary and CFO roles within ASX listed and unlisted entities. She is a Chartered Accountant, fellow member of the Governance Institute of Australia and holds a Bachelor of Commerce (Accounting).

Director's interests

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

Director	Number of Ordinary Shares	Number of Rights
Mr P Senycia	8,691,134	-
Mr J Madden	2,000,000	-
Mr G Page	-	-

Principal activities

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

Dividends

No dividend has been declared for the year ended 30 June 2024.

Strategy

The Board of Directors announced in June 2023 a strategic review of the Company. The Company has now completed it's 2023 strategic review with no viable strategic options identified for the Group to pursue. Therefore, the Company has decided to focus on its existing assets, reducing costs and maximising returns to shareholders.

The Board of Directors concluded that surplus cash balances should be returned to shareholders and accordingly, shareholders formally approved, at the last annual general meeting, a return of capital of up to A$40 million, or A$0.008 per share (see ASX Announcements on 27 October 2023, 23 February 2024, 22 April 2024, 30 May 2024 and 14 August 2024). At that time, the Company commenced the process to secure from the Australian Taxation Office a class ruling that the return of capital can be made by way of a deemed tax-free return of capital.

The Company has also implemented several changes to its operations by reducing personnel and lowering its cost structure, including reducing Director fees. The personnel changes are expected to reduce ongoing costs by approximately US$1.0 million annually. The Board of Directors will critically review all future investment to ensure shareholder value is maximised.

Operating and Financial Review

During the year ended 30 June 2024, production from the Company's existing asset base continued to meet expectations. The Company is debt-free with a cash balance of US$40.5 million.

Financial Summary

Total loss after tax for the year ended 30 June 2024 was US$1.7 million (2023: US$7.0 million). This loss was primarily driven by a $9.1 million impairment on the Bulleit well at Green Canyon 21 and lower net operating revenues compared to the previous period. These lower operating revenues and impairment charges were partially offset by increased interest revenue, lower administration and finance costs and minimal exploration expenditures.

Net operating revenue for the current year was US$20.4 million (2023: US$33.4 million), a 39% decrease from the prior year due to a 4% decrease in crude oil prices, a 49% decrease in natural gas prices and a 26% decrease in the price received for natural gas liquids. Production for the period decreased by 25% compared with the prior year, due to normal field decline.

Cost of sales for the current year were US$9.7 million (2023: US$11.7 million), a 17% decrease primarily due to lower amortisation of producing assets as a result of overall decreased production. This generated an operating gross profit of approximately US$10.6 million (2023: US$21.7 million), a decrease of 51%.

Impairment charges for the current year were US$9.1 million (2023: US$19.8 million) as a result of cost overruns and lower than expected performance from the Bulleit well at Green Canyon 21. See Note 13 to the Consolidated Financial Statements for additional information.

The gain on investments for the current year was US$0.5 million (2023: US$3.0 million loss). The Company sold the remaining 3,272,592 shares held in Pantheon Resources Plc (London Stock Exchange: PANR) in November and December 2023 for net proceeds of US$1.0 million.

Administrative and other expenses for the current year were approximately US$3.9 million (2023: US$6.4 million), a 41% decrease due to the Boards effective implementation of cost reduction measures. Reductions in personnel costs resulted in savings of US$1.5 million compared to the previous year.

Exploration expenditures during the current year were US$0.5 million (2023: US$3.0 million), an 83% decrease as a result of the Board's strategy to focus on its' existing assets.

Production and Development

Reserves Statement as at 30 June 2024

On 31 July 2024 the Company released its statement of reserves and resources as at 30 June 2024. The statement of reserves included Otto's fields at South Marsh 71 (SM 71), Green Canyon 21 (GC 21), Lightning in Matagorda County, TX (Lightning), Mosquito Bay West and Oyster Bayou South, and were independently prepared by Ryder Scott Company. The contingent and prospective resources cover SM 71, Lightning and South Timbalier 48 (ST 48). The summary statement of reserves and contingent and prospective resources as at 30 June 2024 and changes to reserves and resources since 30 June 2023 is set out below. (Full details including the reconciliations and notes on the statements are included in the ASX release of 31 July 2024).

Total	Gross (100%)				Net			
	Oil (MbbL)	NGL (Mbbl)	Gas (MMcf)	Mboe	Oil (MbbL)	NGL (Mbbl)	Gas (MMcf)	Mboe
Proved Producing	2,049	529	14,724	5,031	626	139	3,659	1,375
Proved Behind Pipe	519	300	8,970	2,314	176	80	2,215	625
Proved Undeveloped	-	-	-	-	-	-	-	-
Proved (1P)	**2,568**	**828**	**23,694**	**7,345**	**802**	**219**	**5,874**	**2,000**
Probable	1,304	576	16,855	4,690	392	154	4,230	1,251
Proved Plus Probable (2P)	**3,872**	**1,404**	**40,549**	**12,035**	**1,194**	**373**	**10,104**	**3,251**
Possible	2,035	1,358	40,865	10,204	595	373	10,440	2,708
Proved Plus Probable Plus Possible (3P)	**5,908**	**2,762**	**81,415**	**22,239**	**1,789**	**746**	**20,544**	**5,959**
Total Contingent and Prospective Resources (best estimate, unrisked)	7,040	-	44,590	14,472	4,700	-	24,160	8,727

DIRECTOR’S REPORT

For the year ended 30 June 2024

Changes to reserves and resources since 30 June 2023

Otto Energy Limited Grand Total - Reserve Reconciliation (Otto Energy NRI Share)	Oil/NGL (Mbbl)				Gas (MMCF)				MBOE			
	Remaining 6/30/2023	Production FY2024	Additions & Revisions	Remaining 6/30/2024	Remaining 6/30/2023	Production FY2024	Additions & Revisions	Remaining 6/30/2024	Remaining 6/30/2023	Production FY2024	Additions & Revisions	Remaining 6/30/2024
Proved (1P)	1,303	254	- 29	1,020	6,802	1,416	488	5,874	2,437	490	53	2,000
Probable	1,175	-	- 628	547	7,112	-	- 2,883	4,230	2,360		- 1,108	1,252
Proved+Probable (2P)	2,478	254	- 657	1,567	13,914	1,416	- 2,395	10,104	4,797	490	- 1,056	3,251
Possible	851	-	117	968	8,225	-	2,215	10,440	2,222		487	2,708
Proved+Probable+ Possible (3P)	3,329	254	- 539	2,536	22,139	1,416	- 179	20,544	7,019	490	- 569	5,959

Estimated proved reserves total approximately 2.0 MMboe and consist of six PDP wells, compared to 2.4 MMboe as of 30 June 2023. This decrease is predominantly due to production of 500 Mboe on a net revenue interest basis (“NRI”) during the financial year. Proved reserve additions of 51 Mboe at Lightning and 84 Mboe at Mosquito Bay West due to strong field performance exceed downward revisions at GC 21 of 49 Mboe and SM 71 of 24 Mboe. GC 21 reserve revisions reflect weaker than anticipated field performance as previously reflected in Otto’s half yearly results ended 31 December 2023. SM 71 reserve revisions reflect the F3 well being shut-in during May 2024 as well as performance of the remaining producing well F1. These reserves have a 9 year estimated production life (through 2033) and anticipate a total of 8 recompletions.

Estimated proved plus probable reserves total approximately 3.3 MMboe, compared to 4.8 MMboe as of 30 June 2023. This decrease is predominantly attributable to production of 500 Mboe (NRI) during the financial year and the reclassification of a probable undeveloped well at Lightning (Green #4) to possible, as well as a reclassification of some Lightning probable reserves to proved resulting in an overall reduction in Lightning of 564 Mboe. Further reductions at SM 71 of 276 Mboe and GC 21 of 233 Mboe relate to field performance. A 71 Mboe reduction at Mosquito Bay West relates to a reclassification from probable to proved reserves. These reserves have a 13-year estimated life (through 2037) and also anticipate the same 8 recompletions.

Estimated proved plus probable plus possible reserves totalled approximately 6.0 MMboe, compared to 7.0 MMboe as of 30 June 2023. Possible reserves benefit by the reclassification of the Green #4 well from probable to possible, as well as an increase at SM 71. GC 21, Mosquito Bay West and Oyster Bayou South all have reductions in possible reserves. These reserves have greater than a 14-year estimated life (beyond 2037) and also anticipate the same 8 recompletions.

Contingent and prospective resources totalling approximately 8.7 MMboe from SM 71, Lightning, and ST 48 remain unchanged from 30 June 2023.

Production and Revenue Summary

The table below sets out production and working interest (“WI”) revenue information associated with Otto’s sales of natural gas, oil and natural gas liquids (“NGLs”) from its fields at SM 71, Lightning, GC 21, Mosquito Bay West and Oyster Bayou South for the year ended 30 June 2024. One barrel of oil, condensate or NGL is the energy equivalent of six Mcf of natural gas.

	FY 2024	FY 2023	% Change
Total Oil (Bbls)	254,007	403,922	-37%
Total Gas (Mcf)	1,889,074	2,203,444	-14%
Total NGLs (Bbls)	63,419	71,371	-11%
Total BOE	632,272	842,533	-25%
Total (Boe/d)	1,728	2,308	-25%
Percent Liquids (%)	50%	56%	-11%
Total WI Revenue (US$MM)	$ 25.0	$ 44.1	-43%
Oil WI revenue ($millions)	$ 19.4	$ 32.3	-40%
Avg oil price ($/Bbl)	$ 76.51	$ 79.99	-4%
Gas WI revenue ($millions)	$ 4.4	$ 9.8	-55%
Avg gas price ($/Mcf)	$ 2.28	$ 4.50	-49%
NGL WI revenue ($millions)	$ 1.1	$ 1.7	-35%
Avg NGL price ($/Bbl)	$ 17.21	$ 23.37	-26%
Total WI revenue ($millions)	$ 25.0	$ 43.7	-43%
Avg WI price ($/Boe)	$ 39.49	$ 51.93	-24%

Otto's hydrocarbon sales for the current year equate to 1,728 Boe/d with performance of each asset during the year detailed below.

Notes

1. Otto sells its high-quality crude produced at SM 71, Mosquito Bay West, and Oyster Bayou South at Louisiana Light Sweet crude (LLS) crude pricing which is a premium to West Texas Intermediate ("WTI") pricing. Deductions are applied for transportation, gravity, and pipeline loss allowances.
2. GC 21 crude is a medium sour grade and sells against the Bonito Sour crude marker. Deductions are applied for transportation, gravity, and pipeline loss allowances.
3. Lightning crude sells against the WTI Houston crude marker. Deductions are applied for transportation and gravity.
4. On average, 1 Mscf = 1.10 Mmbtu for SM 71 raw gas production. The thermal content of SM 71 gas may vary over time.
5. On average, 1 Mscf = 1.25 Mmbtu for GC 21 raw gas production. The thermal content of GC 21 gas may vary over time.
6. On average, 1 Mscf = 1.10 Mmbtu for Lightning raw gas production. The thermal content of Lightning gas may vary over time.
7. On average, 1 Mscf = 1.12 Mmbtu for Mosquito Bay West and Oyster Bayou South raw gas production. The thermal content of Mosquito Bay West and Oyster Bayou South gas may vary over time.

South Marsh Island 71 (SM 71) – Offshore Gulf of Mexico. Operated by Byron Energy Inc

The F1 and F3 wells began producing in March 2018 from the primary D5 Sand reservoir, while the F2 well began production in April 2018 from the B55 Sand. In March 2020, the F5 well was spud and announced as a potential discovery. Due to uncertainty related to the impact of COVID-19 on operations, the SM 71 F5 wellbore was temporarily abandoned in a manner that allows it to be sidetracked in the future. The field is operated by Byron Energy.

In late June 2022, traces of water were detected from the F3 well. During the month of May 2024, the F3 well was shut-in indefinitely due to high water cut and low oil production levels. In September 2022, the F2 well was successfully recompleted in the J1 sand and resumed production. On 2 June 2023, the F2 well was shut in for pressure buildup, it remains shut-in and will be used as a swing producer.

On 16 August 2024 it was announced that Otto Energy had agreed to participate in the F5-ST well targeting the D5 sand with the anticipated spud date being late September/early October 2024 with the well to be side tracked out of the original F5 well bore.

Production and WI revenue for the year ended 30 June 2024 and 2023 were as follows:

SM 71 Production Volumes		FY 2024	FY 2023	% Change
WI (50.0%)	Oil (bbls)	149,578	276,164	-46%
	Gas (Mscf)	120,831	218,413	-45%
	Total (Boe)	169,716	312,566	-46%
	Total (Boepd)	464	856	-46%
NRI (40.6%)	Oil (bbls)	121,532	224,383	-46%
	Gas (Mscf)	98,176	177,460	-45%
	Total (Boe)	137,894	253,960	-46%
	Total (Boepd)	377	696	-46%

SM 71 Prices		FY 2024	FY 2023	% Change
WI (50.0%)	Oil - $million	$ 11.2	$ 22.3	-50%
	Oil - $ per bbl	$ 75.20	$ 80.76	-7%
	Gas - $million	$ 0.4	$ 1.3	-69%
	Gas – $ per Mmbtu	$ 2.83	$ 5.09	-44%
	Total – US$million	$ 11.6	$ 23.6	-51%

Production volumes for the current financial year at SM 71 averaged 464 boepd (WI), a decrease of 46% over the prior year average of 856 boepd (WI). The primary reason for the decrease was the reduction in oil produced from the F3 well and increased water cut prior to the shut-in during May 2024. The F3 well produced on average 77 bblpd (8/8ths) for the financial year compared to 771 bblpd (8/8ths) the prior financial year.

The F1 well increased oil production during the year averaging 738 bblpd (8/8ths) for the financial year compared to 705 bblpd (8/8ths) of oil production the previous financial year. Downtime also was higher during the financial year with the platform shut-in for 35 days compared to 6 days the previous financial year. The reasons for downtime during the current year relate to third party oil offtake pipeline being shut-in as part of a regional pipeline re-rerouting as well as generator and compressor repairs on the SM 71 F platform.

Sales revenues for the current year were also lower than the prior year due to this 46% decrease in production, as well as a 7% decrease in oil prices received and a 44% decrease in natural gas prices received. The following table sets out certain information with respect to SM 71 reserves as of 30 June 2024.

SM71	Gross (100%)				Net (40.6%)			
	Oil (MbbL)	NGL (Mbbl)	Gas (MMcf)	Mboe	Oil (MbbL)	NGL (Mbbl)	Gas (MMcf)	Mboe
Proved Producing	1,081	34	811	1,250	439	14	300	503
Proved Behind Pipe	266	7	166	301	108	3	62	121
Proved Undeveloped	-	-	-	-	-	-	-	-
Proved (1P)	**1,348**	**41**	**977**	**1,551**	**548**	**17**	**362**	**624**
Probable	550	17	413	636	224	7	153	256
Proved Plus Probable (2P)	**1,898**	**58**	**1,390**	**2,188**	**771**	**24**	**515**	**881**
Possible	550	17	413	636	224	7	153	256
Proved Plus Probable Plus Possible (3P)	**2,448**	**75**	**1,803**	**2,824**	**995**	**31**	**668**	**1,137**
Total Contingent and Prospective Resources (best estimate, unrisked)	2,300	-	4,680	3,080	930	-	1,910	1,248

Lightning – Onshore Matagorda County, Texas. Operated by Hilcorp Energy

The first well in this field, Green #1, commenced production in June 2019 while the Green #2, commenced production in February 2020. Production and WI revenue for the year ended 30 June 2024 and 2023 were as follows:

Lightning Volumes		FY 2024	FY 2023	% Change
WI (37.5%)	Oil (bbls)	43,869	49,965	-12%
	Gas (Mscf)	1,419,193	1,545,836	-8%
	NGLs (bbls)	47,518	53,828	-12%
	Total (Boe)	327,918	361,432	-9%
	Total (Boepd)	896	990	-10%
NRI (27.8%)	Oil (bbls)	32,570	37,225	-13%
	Gas (Mscf)	1,053,662	1,151,751	-9%
	NGLs (bbls)	35,279	40,109	-12%
	Total (Boe)	243,459	269,292	-10%
	Total (Boepd)	665	738	-10%

Lightning Sales Revenue		FY 2024	FY 2023	% Change
WI (37.5%)	Oil - $million	$ 3.4	$ 4.0	-15%
	Oil - $ per bbl	$ 78.21	$ 80.59	-3%
	Gas - $million	$ 3.1	$ 6.6	-52%
	Gas – $ per Mmbtu	$ 2.21	$ 4.24	-48%
	NGLs - $million	$ 0.8	$ 1.3	-37%
	NGLs – $ per bbl	$ 17.84	$ 24.97	-29%
	Total – US$million	$ 7.4	$ 12.0	-38%

Production volumes for the current year were lower than production volumes for the prior year due to normal field decline with a 9% decline year on year on a boe basis. Production, on a WI basis, was approximately 896 Boepd as of 30 June 2024. A perforation density increase in select intervals of the Green #2 well was conducted during June 2024 resulting in a 20% increase in production in the well with this increase to benefit production going forward in financial year 2025.

Sales revenues for the current year were also lower than the prior year due to this 9% decrease in production as well as a 3% decrease in oil prices received, a 48% decrease in natural gas prices received, and a 29% decrease in NGL prices received. The following table sets out certain information with respect to Lightning reserves as of 30 June 2024.

	Oil (MbbL)	NGL (Mbbl)	Gas (MMcf)	Mboe	Oil (MbbL)	NGL (Mbbl)	Gas (MMcf)	Mboe
Proved Producing	349	379	11,618	2,664	97	105	2,995	702
Proved Behind Pipe	197	214	6,560	1,504	55	60	1,691	396
Proved Undeveloped	-	-	-	-	-	-	-	-
Proved (1P)	**545**	**593**	**18,178**	**4,168**	**152**	**165**	**4,686**	**1,098**
Probable	431	468	14,360	3,292	120	130	3,702	867
Proved Plus Probable (2P)	**976**	**1,061**	**32,538**	**7,460**	**272**	**295**	**8,388**	**1,965**
Possible	1,163	1,263	38,752	8,885	324	352	9,991	2,341
Proved Plus Probable Plus Possible (3P)	**2,139**	**2,324**	**71,290**	**16,344**	**595**	**647**	**18,379**	**4,306**
Total Prospective Resources (best estimate, unrisked)	630	-	21,250	4,172	170	-	5,920	1,157

Green Canyon 21 (GC 21) – Offshore Gulf of Mexico. Operated by Talos Energy

The GC 21 well, operated by Talos Energy, commenced production from the deeper MP sands in October 2020. In August 2022, recompletion operations began in the shallow DTR-10 sands. During recompletion activities, an issue with the casing hanger in the wellhead caused by strong loop currents occurred. Due to additional equipment being required, operations were suspended and resumed in February 2023, with production beginning on 22 March 2023.

After a few days of production from the DTR-10 sands, well diagnostics indicated that the lower DTR-10 completion was not contributing to well production and the well was only seeing a contribution from the upper completion. Well intervention operations were completed in mid-May 2023 and the well is currently producing from both DTR-10 zones.

In January 2023, Otto and the operator both filed a Control of Well event insurance claim regarding the recompletion at GC 21. During the recompletion, the tubing string, control lines, casing and clamps were damaged. The Company received a total insurance payment of US$7.6million during the financial year.

Production and WI revenue for the year ended 30 June 2024 and 2023 were as follows:

GC 21 Production Volumes		FY 2024	FY 2023	% Change
WI (16.67%)	Oil (bbls)	34,625	13,892	149%
	Gas (Mscf)	50,298	14,942	237%
	NGLs (bbls)	3,790	1,172	223%
	Total (Boe)	46,798	17,554	167%
	Total (Boepd)	128	48	166%
NRI (13.3%)	Oil (bbls)	27,700	11,113	149%
	Gas (Mscf)	40,239	11,953	237%
	NGLs (bbls)	3,031	937	223%
	Total (Boe)	37,438	14,043	167%
	Total (Boepd)	102	38	166%

GC 21 Sales Revenue		FY 2024	FY 2023	% Change
WI (16.67%)	Oil - $million	$ 2.7	$ 1.0	173%
	Oil - $ per bbl	$ 76.68	$ 70.05	9%
	Gas - $million	$ 0.1	$ 0.1	130%
	Gas – $ per Mmbtu	$ 1.72	$ 2.82	-39%
	NGLs - $million	$ 0.1	$ 0.0	226%
	NGLs – $ per bbl	$ 20.95	$ 20.81	1%
	Total – US$million	$ 2.9	$ 1.0	172%

Production volumes for the current year were higher than the prior year due to inclusion of production from the shallower DTR-10 sands compared to the prior year where production was entirely from the MP sands. Production on a WI basis, was approximately 135 Boepd as of 30 June 2024.

Sales revenues also increased as a result of the recompletion to the DTR-10 interval, assisted by a 9% increase in oil prices received and a 1% decrease in NGL prices received, partially offset by 39% decrease in natural gas prices received.

The following table sets out certain information with respect to GC 21 reserves as of 30 June 2024.

Green Canyon 21	Gross (100%)				Net (13.3%)			
	Oil (MbbL)	NGL (Mbbl)	Gas (MMcf)	Mboe	Oil (MbbL)	NGL (Mbbl)	Gas (MMcf)	Mboe
Proved Producing	536	73	1,062	786	72	10	109	100
Proved Behind Pipe	-	-	-	-	-	-	-	-
Proved Undeveloped	-	-	-	-	-	-	-	-
Proved (1P)	**536**	**73**	**1,062**	**786**	**72**	**10**	**109**	**100**
Probable	267	36	528	391	36	5	54	49
Proved Plus Probable (2P)	**803**	**109**	**1,590**	**1,177**	**107**	**15**	**163**	**149**
Possible	267	36	530	392	36	5	54	50
Proved Plus Probable Plus Possible (3P)	**1,070**	**145**	**2,120**	**1,569**	**143**	**19**	**217**	**199**
Total Prospective Resources (best estimate, unrisked)	-	-	-	-	-	-	-	-

Mosquito Bay West. Operated by Castex Energy

The Mosquito Bay West prospect was spud on 22 May 2022 in state waters in Terrebonne Parish, Louisiana, and safely drilled down to a target depth of 14,867' MD (Measured Depth) / 12,967' TVD (True Vertical Depth) ahead of schedule. The well encountered a proved net gas pay of 111 feet TVT (True Vertical Thickness) across five separate Miocene intervals, plus another 10 feet TVT potential pay in one other sand that is considered probable or possible. The well began producing in August 2022. Production and WI revenue for the year ended 30 June 2024 and 2023 were as follows:

Mosquito Bay West Production Volumes		FY 2024	FY 2023	% Change
WI (30.0%)	Oil (bbls)	9,327	14,769	-37%
	Gas (Mscf)	247,758	283,312	-13%
	NGLs (bbls)	10,064	11,290	-11%
	Total (Boe)	60,685	73,278	-17%
	Total (Boepd)	166	201	-17%
NRI (22.4%)	Oil (bbls)	6,949	11,003	-37%
	Gas (Mscf)	184,580	211,068	-13%
	NGLs (bbls)	7,498	8,411	-11%
	Total (Boe)	45,210	54,592	-17%
	Total (Boepd)	124	150	-17%

Mosquito Bay West Sales Revenue		FY 2024	FY 2023	% Change
WI (30.0%)	Oil - $million	$ 0.8	$ 1.1	-34%
	Oil - $ per bbl	$ 80.90	$ 77.9	4%
	Gas - $million	$ 0.6	$ 1.2	-49%
	Gas – $ per MMbtu	$ 2.39	$ 4.3	-44%
	NGLs - $million	$ 0.1	$ 0.2	-32%
	NGLs – $ per bbl	$ 13.56	$ 17.8	-24%
	Total – US$million	$ 1.5	$ 2.5	-40%

Production decreased during the year from an average of 201 boepd (WI) for 2023 to an average of 166 boepd this financial year, a decrease of 17% which was less than anticipated. Total revenue for this financial year decreased by 40% compared to prior year. The decrease in revenue was driven by the decrease in production volumes, as well as a 24% decrease in NGL pricing and a 44% decrease in Gas pricing, offset slightly by a 4% increase in oil pricing

The following table sets out certain information with respect to Mosquito Bay West reserves as of 30 June 2024.

Mosquito Bay West	Gross (100%)				Net (22.4%)			
	Oil (MbbL)	NGL (Mbbl)	Gas (MMcf)	Mboe	Oil (MbbL)	NGL (Mbbl)	Gas (MMcf)	Mboe
Proved Producing	40	38	1,071	256	9	8	221	54
Proved Behind Pipe	56	79	2,244	509	13	18	462	107
Proved Undeveloped	-	-	-	-	-	-	-	-
Proved (1P)	**96**	**116**	**3,315**	**765**	**21**	**26**	**683**	**161**
Probable	39	52	1,488	340	9	12	307	72
Proved Plus Probable (2P)	**135**	**169**	**4,803**	**1,104**	**30**	**38**	**990**	**233**
Possible	29	38	1,071	245	6	8	221	52
Proved Plus Probable Plus Possible (3P)	**164**	**206**	**5,874**	**1,349**	**37**	**46**	**1,211**	**285**
Total Prospective Resources (best estimate, unrisked)	-	-	-	-	-	-	-	-

Oyster Bayou South. Operated by Castex Energy

The Oyster Bayou South prospect was spud on 27 June 2022 in state waters in Terrebonne Parish, Louisiana, and safely drilled down to a target depth of 14,137' MD (Measured Depth) / 13,064' TVD (True Vertical Depth) ahead of schedule. The well encountered proved net gas pay of 68 feet TVT (True Vertical Thickness) Miocene pay, consistent with Otto's expectations. First production began in September 2022. Production and WI revenue for the year ended 30 June 2024 and 2023 were as follows:

Oyster Bayou South Production Volumes		FY 2024	FY 2023	% Change
WI (30.0%)	Oil (bbls)	16,608	49,067	-66%
	Gas (Mscf)	50,995	131,096	-61%
	NGLs (bbls)	2,047	5,081	-60%
	Total (Boe)	27,155	75,998	-64%
	Total (Boepd)	74	208	-64%
NRI (22.8%)	Oil (bbls)	12,539	37,260	-66%
	Gas (Mscf)	38,501	99,548	-61%
	NGLs (bbls)	1,546	3,858	-60%
	Total (Boe)	20,502	57,710	-64%
	Total (Boepd)	56	158	-65%

Oyster Bayou South Sales Revenue		FY 2024	FY 2023	% Change
WI (30.0%)	Oil - $million	$ 1.3	$ 3.8	-65%
	Oil - $ per bbl	$ 80.73	$ 78.5	3%
	Gas - $million	$ 0.1	$ 0.6	-79%
	Gas – $ per MMbtu	$ 2.43	$ 5.2	-54%
	NGLs - $million	$ 0.0	$ 0.1	-72%
	NGLs – $ per bbl	$ 13.54	$ 19.4	-30%
	Total – US$million	$ 1.5	$ 4.5	-67%

Production at Oyster Bayou South decreased by 64% this financial year compared to the prior year, from an average of 208 boe/d (WI) down to average of 74 boe/d (WI). Revenues over the same period decreased by 67% driven by the decrease 64% decrease in production volumes, a 30% decrease in NGL pricing and a 54% decrease in gas pricing, partially offset by a 3% increase in oil pricing.

The following table sets out certain information with respect to Oyster Bayou South reserves as of 30 June 2024.

Oyster Bayou South	Gross (100%)				Net (22.65%)			
	Oil (MbbL)	NGL (Mbbl)	Gas (MMcf)	Mboe	Oil (MbbL)	NGL (Mbbl)	Gas (MMcf)	Mboe
Proved Producing	43	6	162	75	10	1	34	17
Proved Behind Pipe	-	-	-	-	-	-	-	-
Proved Undeveloped	-	-	-	-	-	-	-	-
Proved (1P)	**43**	**6**	**162**	**75**	**10**	**1**	**34**	**17**
Probable	17	2	67	31	4	1	14	7
Proved Plus Probable (2P)	**60**	**8**	**229**	**106**	**14**	**2**	**48**	**23**
Possible	26	3	99	46	6	1	21	10
Proved Plus Probable Plus Possible (3P)	**86**	**12**	**328**	**152**	**19**	**3**	**69**	**34**
Total Prospective Resources (best estimate, unrisked)	-	-	-	-	-	-	-	-

Exploration and Appraisal

South Timbalier 48 Lease

Otto was notified as being the apparent high bid on the South Timbalier 48 (ST 48) at OCS Lease Sale 257 held in November 2021. ST 48 was awarded to the Company effective 1 November 2022 for a primary term of five years. Otto continues to hold the lease on South Timbalier 48 (ST 48).

Corporate and Administration

Board of Director Changes

Effective 30 June 2024, Mr John Jetter retired as Chairman and Non-Executive Director of the Company and Mr Geoff Page was appointed Interim Chairman of the Company effective 1 July 2024.

Pantheon Shareholding (LSE: PANR)

The Company sold the remaining 3,272,592 shares of Pantheon Resources Plc (London Stock Exchange: PANR), in November and December 2023 for net proceeds of US$1.0 million. The Company continues to hold a 0.5% of 8/8ths overriding royalty interest (ORRI) in any future production from the Talitha Unit in Alaska, which is operated by Pantheon.

Commodity Price Risk Management

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

Otto may occasionally utilise commodity price hedge instruments to minimise exposure to short-term price fluctuations by using a series of swaps, costless collars and/or puts. Unrealised gains or losses associated with hedges vary period to period, and are a function of hedges in place, the strike prices of those hedges and the forward curve pricing for the commodities being hedged.

For the year ended 30 June 2024, the Company did not record a gain or loss on derivatives (2023: gain of $1.5 million). The Company has not entered into any price hedging this financial year. As of 30 June 2024, Otto had no open hedge positions.

Key Risks

The key areas of risk, uncertainty and material issues that could affect the achievement of Otto's goals and delivering on its targets are described below. The Audit and Risk committee assists the Board with oversight of the Company's risk management activities and reviews significant risks to ensure that strategy, risk appetite and activities are aligned.

The Company's risk profile is actively managed by undertaking annual risk workshops to ensure risk categories and risk management activities are assessed and reviewed with appropriate mitigation actions developed for risks the Company believes it could control despite non operator status. Risk management activities are regularly reviewed at Board meetings on an ongoing basis. Note that this is not an exhaustive list of risks that may potentially affect the Company.

Operating Risk

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

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

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

Certain activities are undertaken in deep waters where operations, support services and decommissioning activities are more difficult and costly than in shallow waters. The deep waters in the Gulf of Mexico lack the physical and oilfield service infrastructure present in the shallower waters. As a result, deepwater operations may carry additional risks.

Otto seeks to manage the risks around performance of the operator by entering into ventures with operators who have demonstrated competencies and financial capacity. Otto seeks to ensure that the operator's reputation is sound, and that Otto's interests are in alignment before committing to participation. Once committed, the risk is further mitigated through joint venture partner meetings, real time data receipt and review, and technical reviews and audits.

Reserves Recovery Risk

The process of estimating oil and natural gas reserves is complex. It requires interpretations of available technical data and many assumptions, including assumptions relating to economic factors. Any significant inaccuracies in these interpretations or assumptions could materially affect the estimated quantities of our reserves at 30 June 2024.

In order to prepare reserve estimates, our independent consultant projected our production rates and timing of development expenditures. Our independent consultant also analyses available geological, geophysical, production and engineering data. The extent, quality and reliability of this data can vary. The process also requires economic assumptions about matters such as crude oil and natural gas prices, operating expenses, capital expenditures, taxes and availability of funds. Therefore, estimates of oil and natural gas reserves are inherently imprecise.

Actual future production, net operating revenues, crude oil and natural gas prices, taxes, development expenditures, operating expenses and quantities of recoverable oil and natural gas reserves will most likely vary from our estimates.

Any significant variance could materially affect the estimated quantities of our reserves. In addition, our independent consultant may adjust estimates of proved reserves to reflect production history, drilling results, prevailing oil and natural gas prices and other factors, many of which are beyond our control.

The Company manages this risk by engaging Ryder Scott to prepare the annual reserves and resources statement. Ryder Scott Company evaluates oil and gas properties and independently certifies petroleum reserves quantities in the US and internationally. Ryder Scott is one of the largest, oldest and most respected reservoir evaluation consulting firms in the industry.

Financial Risk

Otto's financial performance and resilience may be impacted by key factors. Demand for and pricing of our products remain sensitive to external economic and political factors, weather, natural disasters, introduction of new and competing supply, changes in buyer preferences for differing products and price regimes. Insufficient liquidity to meet financial commitments could have a material adverse effect on our operations and financial performance.
The Company is exposed to credit risk; counterparties could fail or could be unable to meet their payment or performance obligations under contractual arrangements.
The Company is not insured against all potential risks because not all risks can be insured and because of constraints on the availability of commercial insurance in global markets. Losses that are not insured could impact Otto's financial performance. The Company is exposed to foreign currency risk from financial assets and liabilities not denominated in US dollars.

A flexible approach to capital management enables this overall level of investment in the different areas of our business and the mix to be adjusted to reflect the external environment. Our capital management strategy focuses on capital allocation, capital discipline and capital efficiency.
Insurance is maintained in line with industry practice and sufficient to cover normal operational risks. Insurance coverage is determined by the availability of commercial options and cost/benefit analysis.
The US dollar reflects the majority of the Company's underlying cashflows. The reporting currency for the Company is US dollars, reducing exposure to currency fluctuations.

Key Management Risk

As Otto is a non-operator of its key interests, it has a small management team. The Company intends to reassess its Houston office in the 2025 financial year and will continue to utilise external experts and consultants to support employees, management and the Boards of the Company and its subsidiaries as required. Otto does not maintain or plan to obtain any insurance against the loss of any key management personnel. The Company makes every reasonable effort to retain key management personnel and acknowledges the Company may need to pay higher than expected retention costs.

Cyber Security risks

Regulatory and compliance obligations are increasing for data protection and security of critical infrastructure. Failure to safeguard the confidentiality, integrity and availability of digital data and information could have an adverse effect on Otto's operation performance.

Otto's technology systems may be subject to both unintentional and intentional disruption, for example cybersecurity attacks. We are committed to the protection of our people, assets, reputation, and brand through securely enabled digital technologies. Digital risks are identified, assessed, and managed based on the business criticality of our people and systems, and may be required to be segregated and isolated. Our exposure to cyber risk is managed by a control framework that ensures cyber events are identified, contained, and recovered in a timely manner.

Commodity price risk

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

One such factor is the transition to lower carbon sources of energy in many parts of the world (driven by ESG and climate change concerns) which may affect demand for Otto's products, including crude oil, natural gas and NGLs, which in turn may affect the price received (or expected to be received) for these products. Material adverse price impacts (including as a result of the energy transition) may affect the economic performance (including as to margins and cash flows) of, and longevity of production from, Otto's production assets, and ultimately the financial performance of Otto. The Company monitors and analyses the oil and gas markets and seeks to reduce price risk where reasonable and practical.

The Company may utilise commodity price hedge instruments to minimise exposure to short-term price fluctuations by using a series of swaps, costless collars and/or puts. The Company evaluates market prices and sensitivities from time to time to determine when it would be appropriate to enter into these hedges.

Environmental Social & Governance (ESG) Risks

Environmental Social and Governance (ESG) risks are present in Otto's operations and business locations. As a non-operator, Safety and Environmental Management Systems (SEMS) evaluation in partner selection and tracking of operational environmental data allow Otto to monitor and manage environmental risks. Otto also has a comprehensive governance framework starting with the procedures for the selection and appointment of the board of directors, board committees, associated policies and procedures, the corporate delegation of authority, and independent external financial and reserves audits.

Otto's social related policies include its Security Trading Policy, Continuous Disclosure and Shareholder Communication Policy, Anti Bribery and Corruption Policy and Active Whistleblower policy.

Climate Change Risk

Climate change and the transition to a lower-carbon economy presents both risk and opportunity in the operation of our existing assets, commercialisation of our growth portfolio, and in the way that the world produces and consumes energy. Climate driven changes to legislation, regulation and policy could result in additional costs or prevent/restrict the Company from continuing its operations.

Otto leverages its risk management framework to ensure an integrated and coordinated approach to the management of climate change across the business.

Regulatory Risks

Otto's business performance is underpinned by our social license to operate, that requires compliance with legislation and the maintenance of a high level of ethical behavior and social responsibility. Otto's business activities are subject to extensive regulation and government policy in each of the countries where we do business. Failure to comply may impact our license to operate.

Stakeholders have evolving expectations of social responsibility and ethical decision making. These are changing at a rate faster than governments can introduce or amend regulation. A significant or continuous departure from national or local laws, regulations or approvals may result in negative social and cultural impacts, reputation and brand, and loss of license to operate.

Violation of international anti-bribery and corruption laws may expose Otto to fines, criminal sanctions, and civil suits, and negatively impact our international reputation. Otto proactively maintains and builds our social license to operate through the application of our values, effective stakeholder engagement strategies, our regulatory compliance framework and our anti-fraud and corruption program. The Company's anti-bribery and corruption framework aims to prevent, detect and respond to unethical behavior.

On 15 April 2024 BOEM issued its final Bonding Rule entitled "Risk Management and Financial Assurance for OCS Lease and Grant Obligations" which significantly increases the amount of new supplemental financial assurance required from lessees and grant holders conducting operations on the federal outer continental shelf (OCS). The effective date of the rule is 29 June 2024.

The final rule requires lessees to meet one of two criteria based on: (1) the credit rating of the lessee or (2) the ratio of the value of proved oil and gas reserves of the lease to the estimated decommissioning liability associated with the reserves. On 28 June 2024 the BOEM clarified the timeline for implementing these rules with an estimated timeline of up to 24 months from the date that notices are distributed to companies for BOEM to complete the processing of financial assurance demands for execution.

The actual exposure is unknown at report date and uncertainty continues to remain on the timing, amount and implementation of this ruling.

Liquidity and Debt

Otto's cash on hand at 30 June 2024 was approximately US$40.5 million, with the Company having no outstanding debt.

Option Issue

On 4 November 2019 the Company announced it had entered into a senior secured US$55 million term debt facility with Macquarie Bank Limited (Macquarie) (the Credit Facility). This facility was terminated in 2023.

In addition to customary upfront fees payable to Macquarie, the Company issued to Macquarie 42.5 million options to subscribe for fully paid ordinary shares in the Company which expired in November 2023.

On 27 August 2021, the Company announced that it had issued 30,000,000 options to Foster Stockbroking Pty Ltd pursuant to the terms of an Equity Capital Markets Advisory Agreement. Of these, 20,000,000 options have an exercise price of $0.02 per option with an expiry date of 27 August 2024 and 10,000,000 options have an exercise price of $0.025 per option and an expiry date of 27 August 2024. At the date of this report, all options have expired.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial year.

Significant events after the balance date

No matters or circumstances have arisen since 30 June 2024 that have significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years apart from those listed below:

- Effective 15 July 2024, Mr Stephen Herod resigned as Chief Executive Officer and Philip Trajanovich was appointed Acting Chief Executive Officer effective 16 July 2024.

- On 31 July 2024 the Company released its statement of reserves and prospective resources as at 30 June 2024. The reserves were compiled by Otto's independent consultant Ryder Scott Company and covered SM 71, Lightning, GC 21, Mosquito Bay West and Oyster Bayou South. The contingent and prospective resources covered SM 71, Lightning and ST 48. The summary statement of reserves and resources as at 30 June 2024 and changes to reserves and resources since 30 June 2023 is set out in the Production and Development section of this Directors' Report. For full details refer to ASX release dated 31 July 2024.

- On 14 August 2024 the Company advised shareholders of an updated timetable for the planned return of capital subject to receipt of an Australian Tax Office class ruling.

- On 16 August 2024 the Company advised of it's participation in the drilling of the F5-ST production acceleration well at SM 71. The well is to be side-tracked from the existing F5 well bore which Otto participated in during 2020 that is currently abandoned. The F5-ST well has estimated dry hole costs of US$5.7 million (US$2.85 million Otto share), estimated total completed well costs of US$11.3 million (US$5.65 million Otto share) with an additional US$0.3 million of hook-up costs (US$0.15 million Otto share) and no facility modifications required.

Likely developments and expected results

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

- Resolution and/or conclusion of the Company's return of capital to shareholders

Environmental regulation and performance

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

Directors' meetings

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

Director	Board meetings		Audit and risk management Committee (ARC)		Remuneration and nomination committee (RNC)	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Mr J Jetter	20	19	4	4	4	3
Mr P Senycia	20	20	4	4	4	4
Mr J Madden	20	19	4	4	4	4
Mr G Page	20	20	4	4	4	4

Indemnification and insurance of Directors and officers

During the financial year, the Company paid a premium of approximately US$147,000 (2023: US$145,000) to insure the Directors and officers of the Company and its controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a willful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for them or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Proceedings on behalf of Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, and in accordance with that instrument, amounts in the consolidated financial statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

Non-audit services

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

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

	2024	2023
	US$	US$
Tax compliance services	34,181	7,757
	34,181	7,757

Auditor's independence declaration

The auditor's independence declaration is included on page 30 of this report.

Remuneration report (audited)

The Directors of the Company have prepared this remuneration report to outline the overall remuneration strategy, policies and practices which were in place during 2024. This structure includes the share rights and option plans approved by the shareholders at the Company's Annual General Meeting on 19 November 2019. The report has been prepared in accordance with Section 300A of the Corporations Act 2001 and its regulations.

Otto Energy's remuneration policy is designed to ensure that the level and form of compensation achieves certain objectives, including:

a) attraction and retention of employees and management to pursue the Group's strategy and goals;
b) delivery of value-adding outcomes for the Group;
c) fair and reasonable reward for past individual and Group performance; and
d) incentive to deliver future individual and Group performance.

Remuneration consists of base salary, superannuation, short-term incentives (STI) and long-term incentives (LTI). Remuneration is determined by reference to market conditions and performance. Performance is evaluated at an individual level as well as the performance of the Group as a whole.

Key management personnel disclosed in this report are:

Directors

Mr John Jetter	Non-Executive Chairman (retired 30 June 2024)
Mr Paul Senycia	Non-Executive Deputy Chairman
Mr John Madden	Non-Executive Director
Mr Geoff Page	Non-Executive Director

Executives

Mr Stephen Herod	Chief Executive Officer
Mr Will Armstrong	Senior Vice President (VP) Exploration and New Ventures (resigned 31 December 2023)
Mr Sergio Castro	Chief Financial Officer (resigned 19 December 2023)
Ms Julie Dunmore	Chief Financial Officer (appointed 20 December 2023)
Mr Philip Trajanovich	Senior Vice President (VP) and Chief Commercial Officer

Remuneration governance

Role of the Remuneration and Nomination Committee

The Remuneration and Nomination Committee's role is to review and recommend remuneration for key management personnel (KMP) and review remuneration policies and practices including Company incentive schemes and superannuation arrangements. The Committee considers independent advice, where circumstances require, on the appropriateness of remuneration to ensure the Group attracts, motivates and retains high quality people.

The ASX Listing Rules require that the maximum aggregate amount of remuneration to be allocated among the non-executive Directors be approved by shareholders in a general meeting. In proposing the maximum amount for consideration by shareholders and in determining the allocation, the Remuneration and Nomination

Committee takes account of the time demands made on Directors and such factors as fees paid to non-executive Directors in comparable Australian companies.

The Remuneration and Nomination Committee is comprised of the four non-executive Directors during the 2024 financial year.

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

Remuneration arrangements are determined in conjunction with the annual review of the performance of Directors, executives and employees of the Group. Performance of the Directors, CEO and executives of the Group is evaluated by the Board, assisted by the Remuneration and Nomination Committee. These evaluations take into account criteria such as the achievement toward the Group's performance benchmarks and the achievement of individual performance objectives.

Non-executive director remuneration policy

Non-executive Directors of the Group are remunerated by way of fees and statutory superannuation where applicable. Fees are set to reflect current market levels based on the time, responsibilities and commitments associated with the proper discharge of their duties as members of the Board. Non-executive Directors' fees are determined within an aggregate non-executive Directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at A$500,000 per annum and was approved by shareholders at the Annual General Meeting in January 2008.

Non-executive Directors in office at the time received a grant of performance rights on 15 November 2018 following approval by shareholders at the Company's Annual General Meeting. These performance rights expired on 15 November 2023. The grant was based on 50% of fixed annual remuneration (FAR). The Board believes that the issue constituted reasonable remuneration having considered the peer group comparisons, the recent history of the Company, the experience of each of the Directors and the responsibilities involved in that office.

Retirement allowances for non-executive Directors

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

Directors' fees

The following fees have applied:

	2024 (1 Jun 2024 – 30 Jun 2024)	2024 (1 Jan 2024 – 31 May 2024)	2023 (16 Jun 2023 – 31 Dec 2023)
Base fees:			
Chairman and Deputy Chairman	A$50,000	A$50,000	A$75,000
Other Non-executive Directors	A$40,000	A$40,000	A$75,000
Additional fees:			
Chairman	-	A$60,000	A$60,000
Deputy Chairman	-	A$42,000	A$60,000
Audit and Risk Management Committee Chair	A$10,000	A$10,000	A$10,000
Remuneration Committee Chair	A$8,000	A$8,000	A$5,000

Appointment

The term of appointment is determined in accordance with the Company's Constitution and is subject to the provisions of the Constitution dealing with retirement, re-election and removal of Directors of the Company. The Constitution provides that all Directors of the Company are subject to re-election by shareholders by rotation at least every three years during the term of their appointment.

Directors and executive remuneration policy and framework

The remuneration structure in place for the year ended 30 June 2024 applies to all employees including key management personnel and staff members of the Group. The Group's remuneration structure is comprised of a fixed annual remuneration (FAR) or base salary (including superannuation) and long-term incentives as follows:

Element	Purpose	Performance Metrics	Potential Value
Fixed annual remuneration (FAR)	Provide competitive market salary including superannuation and non-monetary benefits	Nil	Reviewed in line with market positioning
LTI	Alignment to long-term shareholder value	TSR Performance, vesting over 3 year period	30% of FAR

The Board and Remuneration Committee have the discretion to grant annual short-term incentive (STI) awards to members of the executive team at a certain percentage of FAR. The Committee exercised its discretion to establish an STI remuneration structure for the calendar year ended 31 December 2023. The sales process undertaken throughout the year did not result in terms which were in the best interest of shareholders and as a result the STI remuneration structure was not considered fit for purpose. Instead, the remuneration committee have focused on reducing overhead costs and reward key employees for performance and loyalty in this changing environment.

During the year the Board and Remuneration Committee exercised their option to grant a discretionary bonus related to the 2023 calendar year to key management personnel identified as being key to the Company's strategic direction as follows:

KMP	Discretionary Bonus US$	Superannuation and Benefits US$	Total Bonus inclusive of superannuation and benefits US$
Philip Trajanovich	117,000	10,737	127,737
Julie Dunmore(i)	2,712	298	3,010

(i) *Julie Dunmore was KMP from 20 December 2023. Discretionary bonus relates to days as KMP during the performance period.*

Executive remuneration mix

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

To attract and retain talented, qualified, and effective employees, the Group pays competitive base salaries which have been benchmarked to the market in which the Group operates. The Group compiles competitive salary information on companies of comparable size in the oil and gas industry from several sources. Where appropriate, information is obtained from surveys conducted by independent consultants and national and international publications. In the past the Board has engaged independent advisors to review the remuneration levels paid to the Group's key management personnel. An advisor was not retained for the 2024 or 2023 reviews.

FAR is paid in cash and is not at risk other than by termination. Individual FAR is set each year based on job description, competitive salary information sourced by the Group and overall competence in fulfilling the requirements of the particular role. There is no guaranteed base pay increases included in any executives' contracts. Superannuation contributions required under the Australian superannuation guarantee legislation continue to be made.

b) Long-term incentives

The Group believes that encouraging its employees to become shareholders is the best way of aligning their interests with those of its shareholders. Long-term incentives are provided to certain employees via the Otto Energy Limited Performance Rights and Employee Share Option Plans which were re-approved by shareholders at the 2020 Annual General Meeting.

The Otto Energy Limited Performance Rights and Employee Share Option Plans are designed to provide long-term incentives for employees to deliver long-term shareholder returns. Under the plans, participants are granted performance rights or options which only vest if certain performance conditions are met and the employees are still employed by the Group at the end of the vesting period. Participation in, and administration of, the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The amount of performance rights that will vest depends on the vesting period and/or Otto Energy Limited's total shareholder return ('TSR'), including share price growth, dividends, and capital returns. For the rights on issue during, and at the end of the year, vesting of the rights for directors, the CEO and other members of the executive team were based on TSR performance only. If the TSR vesting condition is not met on a measurement date, no rights vest and those performance rights continue to exist as unvested performance rights to be retested at the next measurement date or expiry date if there are no further measurement dates. Once vested, the performance rights are automatically converted into shares. Performance rights are granted under the plan for no consideration.

No rights were issued for the year ended 30 June 2024.

On 15 November 2018 and 21 December 2018, the Company issued a total of 25,489,002 performance rights to executives and directors, based on a flat rate of 50% of FAR. These performance rights vest over a three-year period with a measurement date of 15 November, expired at the end of five years on 15 November 2023, and have a TSR hurdle of 15% per annum (based on a 90-day VWAP). On the 15 November 2019, 15 November 2020, 15 November 2021 measurement dates and 15 November 2023 expiry date, the TSR hurdle was not met and the performance rights expired.
The total number of performance rights on issue as of 30 June 2024 is nil.

Share trading policy

The trading of shares issued to participants under any of the Company's employee equity plans is subject to, and conditional upon, compliance with the Company's Securities Trading Policy. Executives are prohibited from entering into any hedging arrangements over unvested rights. While the Employee Share Option Plan does not specifically prohibit holders from entering into hedging arrangements over options, the Board would include such restrictions in any offer under the Plan. The Company would consider a breach of this policy as gross misconduct which may lead to disciplinary action and potentially dismissal.

Voting and comments made at the Group's 2023 Annual General Meeting

At its 2023 Annual General Meeting, the Company received approximately 92% of "yes" votes on its remuneration report for the 2023 financial year and the Company did not receive any specific feedback at the Annual General Meeting on its remuneration practices. All resolutions put to the meeting at the 2023 Annual General Meeting were carried on a poll.

Performance of Otto Energy Limited

The Corporations Act requires disclosure of the Company's remuneration policy to contain a discussion of the Company's earnings and performance and the effect of the Company's performance on shareholder wealth in the reporting period and the four previous financial years. The table below provides a five-year financial summary.

	30 June 2020	**30 June 2021**	**30 June 2022**	**30 June 2023**	**30 June 2024**
Net profit/(loss) after tax (US$'000)	(1,358)	(450)	15,514	(7,006)	(1,653)
Share price at year end (AUD)	0.007	0.008	0.013	0.015	0.013
Basic earnings/(loss) (US cents per share)	(0.05)	(0.01)	0.32	(0.15)	(0.03)
Return of capital (AU cents per share)	-	-	-	-	-
Total dividends (AU cents per share)	-	-	-	-	-

Details of remuneration

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

Remuneration and other terms of employment for the Chief Executive Officer and other staff are formalised in service agreements. Each of these agreements provides for performance related conditions and details relating to remuneration are set out in the following table:

		Fixed Remuneration				Variable remuneration	Total
	Year	Salary and fees $US	Super-annuation $US	Other benefits (i) $US	Termination benefits $US	Cash bonus(ii) $US	$US
Directors							
Mr J Jetter	2024	77,043	-	-	-	-	77,043
	2023	54,762	-	-	-	-	54,762
Mr P Senycia	2024	68,755	7,563	-	-	-	76,318
	2023	47,232	4,960	-	-	-	52,192
Mr J Madden	2024	39,819	4,380	-	-	-	44,199
	2023	48,191	5,060	-	-	-	53,251
Mr G Page	2024	37,551	-	-	-	-	37,551
	2023	53,425	-	-	-	-	53,425
Mr M Utsler	2024	-	-	-	-	-	-
	2023	315,520	-	44,442	300,000	131,300	791,262
Total Director remuneration	2024	223,168	11,943	-	-	-	235,111
	2023	519,130	10,020	44,442	300,000	131,300	1,004,892

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

(ii) Cash bonus' were paid in recognition of performance under STI award

(iii) Mr Michael Utsler departed as Chief Executive Officer and Managing Director on 19 June 2023. Includes $300,000 termination benefit agreed under a revised termination agreement outside of the employment agreement.

		Fixed Remuneration					Variable Remuneration	Total
	Year	Salary and fees $US	Annual & long service leave $US	Super-annuation $US	Other benefits [i] $US	Termination benefits $US	Cash bonus[ii] $US	$US
Executives								
Mr S Herod[iii]	2024	360,000	-	13,800	41,848	-	-	415,648
	2023	12,273	-	-	1,175	-	10,000	23,448
Mr P Trajanovich	2024	257,867	-	13,116	41,829	-	117,000	429,812
	2023	241,800	-	13,928	39,368	-	130,900	425,996
Mr S Castro[iv]	2024	148,778	-	1,951	7,692	66,950	-	225,371
	2023	261,950	-	13,404	13,129	-	164,150	452,633
Ms J Dunmore[v]	2024	109,063	11,424	12,295	703	-	2,712	136,197
	2023	-	-	-	-	-	-	-
Mr W Armstrong[vi]	2024	123,600	-	3,196	14,244	61,800	-	202,840
	2023	241,800	-	13,072	26,801	-	128,300	409,973
Total executive remuneration	2024	999,308	11,424	44,358	106,316	128,750	119,712	1,409,868
	2023	757,823	-	40,404	80,473	-	433,350	1,312,050
Total Director and executive remuneration	2024	1,222,476	11,424	56,301	106,316	128,750	119,712	1,644,979
	2023	1,276,953	-	50,424	124,915	300,000	564,650	2,316,942

(i) Reflects the value of allowances and non-monetary benefits (including health insurance and other US payroll deductions).
(ii) Cash bonus' were paid in recognition of performance under STI award
(iii) Mr S Herod was appointed Chief Executive Office on 20 June 2023
(iv) Mr S Castro resigned as Chief Financial Officer on 19 December 2023
(v) Ms J Dunmore was appointed Chief Financial Officer on 20 December 2023
(vi) Mr W Armstrong departed as Senior Vice President (VP) Exploration and New Ventures on 31 December 2023

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

	Fixed and other		At risk – STI		At risk – LTI (i)	
	2024	2023	2024	2023	2024	2023
Directors						
Mr J Jetter	100%	100%	-	-	-	-
Mr P Senycia	100%	100%	-	-	-	-
Mr J Madden	100%	100%	-	-	-	-
Mr G Page	100%	100%	-	-	-	-
Executives						
Mr S Herod(ii)	100%	57%	-	43%	-	-
Mr P Trajanovich	73%	69%	27%	31%	-	-
Mr S Castro(iii)	70%	64%	30%	36%	-	-
Ms J Dunmore(iv)	98%	-	2%	-	-	-
Mr W Armstrong(v)	70%	69%	30%	31%	-	-

(i) Since long-term incentives are provided exclusively by way of performance rights or options, the percentages disclosed also reflect the value of remuneration consisting of performance rights and options, based on the value of performance rights or options expensed during the year
(ii) Mr S Herod was appointed Chief Executive Office on 20 June 2023
(iii) Mr S Castro resigned as Chief Financial Officer on 19 December 2023
(iv) Ms J Dunmore was appointed Chief Financial Officer on 20 December 2023
(v) Mr W Armstrong departed as Senior Vice President (VP) Exploration and New Ventures on 31 December 2023

Service agreements

On appointment to the Board, all non-executive Directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including remuneration, relevant to the office of Director.

Remuneration and other terms of employment for executives are also formalised in service agreements. Each of these service agreements provide for the provision of performance related cash bonuses, and participation, when eligible, in the Otto Energy Limited Performance Rights and Employee Share Option Plans. Other major provisions of the agreements relating to remuneration are set out below.

All contracts with executives may be terminated early by either party with notice, per individual agreement, subject to termination payments as detailed below.

Name	Commencement of contract	Base salary (i) (per annum)	Termination benefit(ii)
Mr Stephen Herod *Chief Executive Officer*(iii)	20 June 2023	US$360,000	$50,000 lump sum or continued participation in eligible company benefit plan as selected by Company
Mr Philip Trajanovich *Senior VP and Chief Commercial Officer*(iv)	1 August 2018	US$267,200	3 months base salary
Ms Julie Dunmore *Chief Financial Officer*	20 December 2023	A$312,000	3 months base salary

(i) Executive contracts are reviewed annually by the Board and the Remuneration and Nomination Committee.
(ii) Termination benefits are payable on early termination by the Company, other than for gross misconduct.
(iii) Mr Stephen Herod resigned as CEO effective 15 July 2024.
(iv) Mr Philip Trajanovich was appointed Acting CEO effective 16 July 2024 with a base salary of US$315,000 and no change to termination benefit.

Share-based compensation

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

Performance rights over equity instruments granted

Performance rights granted to key management personnel were granted as remuneration unless otherwise noted. The rights granted have no exercise price and are exercisable from the date of vesting. Details of vesting periods are set out at Note 21. All rights expire the earlier of their expiry date or termination of individual's employment. Performance rights granted carry no dividend or voting rights.

The value of rights included in remuneration for the year is calculated in accordance with Australian Accounting Standards. The assessed fair value at grant date of the performance rights is allocated equally over the period from grant date to vesting date and the amount is included in the remuneration tables. Where rights vest fully in the year of grant, the full value of the rights is recognised in remuneration for that year.

No adjustment is made to the value included in remuneration or the financial results where the right ultimately has a lesser or greater value than as at the date of grant. No performance rights were granted in 2024 financial year.
The number of performance rights over ordinary shares held, granted to, vested and/or lapsed/expired by Directors and executives of Otto Energy Limited as part of compensation during the year ended 30 June 2024 is set out below.

Key Management Personnel	Balance at start of year	Granted as compensation	Vested and exercised	Lapsed/ expired		Balance at end of year
Directors				**Number**	**%**	
Mr J Jetter	1,116,000	-	-	1,116,000	100%	-
Mr P Senycia	669,000	-	-	669,000	100%	-
Mr J Madden	-	-	-	-	-	-
Mr G Page	-	-	-	-	-	-
	1,785,000	-	-	1,785,000		-
Executives	**Balance at start of year**	**Granted as compensation**	**Vested and exercised**	**Lapsed/ expired**		**Balance at end of year**
				Number	**%**	
Mr S Herod	-	-	-	-	-	-
Mr P Trajanovich	-	-	-	-	-	-
Mr S Castro[(i)]	-	-	-	-	-	-
Ms J Dunmore[(ii)]	-	-	-	-	-	-
Mr W Armstrong[(iii)]	7,352,000	-	-	7,352,000	100%	-
	7,352,000	-	-	7,352,000	100%	-
Total	9,137,000	-	-	9,137,000		-

(i) Mr S Castro resigned as Chief Financial Officer on 19 December 2023
(ii) Ms J Dunmore was appointed Chief Financial Officer on 20 December 2023
(iii) Mr W Armstrong departed as Senior Vice President (VP) Exploration and New Ventures on 31 December 2023

Options over equity instruments granted

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

Shareholding

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

Key Management Personnel (KMP)	KMP balance at start of year	Holding on appointment	Purchased during the year	Balance on date ceased to be KMP	KMP balance at end of year
Directors					
Mr J Jetter(iv)	57,881,668	-	-	57,881,668	-
Mr P Senycia	8,691,134	-	-	-	8,691,134
Mr J Madden	2,000,000	-	-	-	2,000,000
Mr G Page	-	-	-	-	-
	68,572,802	-	-	57,881,668	10,691,134
Executives					
Mr S Herod	-	-	-	-	-
Mr P Trajanovich	758,000	-	-	-	758,000
Mr S Castro(i)	-	-	-	-	-
Ms J Dunmore(ii)	-	321,775	-	-	321,775
Mr W Armstrong(iii)	750,000	-	-	750,000	-
	1,508,000	321,775	-	750,000	1,079,775
Total	70,080,802	321,775	-	58,631,668	11,770,909

(i) Mr S Castro resigned as Chief Financial Officer on 19 December 2023
(ii) Ms J Dunmore was appointed Chief Financial Officer on 20 December 2023
(iii) Mr W Armstrong departed as Senior Vice President (VP) Exploration and New Ventures on 31 December 2023
(iv) Mr J Jetter retired as a Director on 30 June 2024

Outstanding balances arising from sales/purchases of goods and services

There are no balances outstanding at the end of the reporting period in relation to transactions with key management personnel and their related parties (2023: nil).

End of Remuneration Report

Diversity

Proportion of women employees at 30 June 2024:

	Number	Proportion
Whole organisation*	2/8	25%
Senior executive positions	1/3	33%
Board	0/4	0%

*Includes four non-executive Directors

DIRECTOR'S REPORT

For the year ended 30 June 2024

Performance rights

There are no performance rights on issue as at the date of this report.

Options

There are no options on issue as at the date of this report.

No performance right holder has any right under the performance rights to participate in any other share issue of the Company or any other entity. There were no options on issue to employees at 30 June 2024.

No options were granted as remuneration to key management personnel during the year. Details of performance rights and options granted to key management personnel are disclosed on pages 19 to 28.

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

Mr Geoff Page
Interim Chairman

13 September 2024

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

As lead auditor of Otto Energy Limited for the year ended 30 June 2024, I declare that, to the best of my knowledge and belief, there have been:

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

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

Phillip Murdoch

Director

BDO Audit Pty Ltd

Perth

13 September 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2024

	Note	2024 US$'000	2023 US$'000
Operating revenue (net)	2	20,366	33,432
Cost of sales	3	(9,744)	(11,739)
Gross profit		**10,622**	**21,693**
Other income	2	1,444	180
Loss on sale of property, plant and equipment		(34)	-
Gain/(loss) on investments at fair value (net of transaction costs)	4	517	(3,029)
Exploration expenditure	5	(514)	(2,977)
Impairment	13	(9,101)	(19,800)
Finance costs	6	(260)	(1,055)
Gain on derivative financial instruments		-	1,501
Administration and other expenses	6	(3,850)	(6,437)
Loss before income tax		**(1,176)**	**(9,924)**
Income tax (expense)/reversal	8	(477)	2,918
Loss from continuing operations		**(1,653)**	**(7,006)**
Loss for the year after tax		**(1,653)**	**(7,006)**
Other comprehensive income that may be recycled to profit or loss			
Total other comprehensive income		-	-
Total comprehensive loss for the year		**(1,653)**	**(7,006)**
Earnings per share from continuing operations			
Basic and diluted loss per share (US cents)	7	(0.03)	(0.15)
Earnings per share attributable to the ordinary equity holders of the company			
Basic and diluted loss per share (US cents)	7	(0.03)	(0.15)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Note	2024 US$'000	2023 US$'000
Current assets			
Cash and cash equivalents	9	40,495	25,851
Trade and other receivables	11	1,828	2,110
Financial assets at fair value through profit or loss	12	-	529
Prepayments	12	660	448
Other assets	12	77	77
Total current assets		**43,060**	**29,015**
Non-current assets			
Oil and gas properties	13	10,754	30,687
Property, plant and equipment		9	88
Other financial assets	12	1,000	1,000
Total non-current assets		**11,763**	**31,775**
Total assets		**54,823**	**60,790**
Current liabilities			
Trade and other payables	14	1,423	4,648
Provisions	15	566	1,473
Total current liabilities		**1,989**	**6,121**
Non-current liabilities			
Provisions	15	6,077	6,223
Total non-current liabilities		**6,077**	**6,223**
Total liabilities		**8,066**	**12,344**
Net assets		**46,757**	**48,446**
Equity			
Contributed equity	16	133,170	133,170
Reserves	17	10,470	10,506
Accumulated losses		(96,883)	(95,230)
Total equity		**46,757**	**48,446**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2024

	Contributed equity US$'000	Share-based payments reserve US$'000	Accumulated losses US$'000	Total US$'000
Balance at 1 July 2022	133,170	10,506	(88,224)	55,452
Loss for the year	-	-	(7,006)	(7,006)
Total comprehensive loss for the year	-	-	(7,006)	(7,006)
Balance at 30 June 2023	133,170	10,506	(95,230)	48,446
Balance at 1 July 2023	133,170	10,506	(95,230)	48,446
Loss for the year	-	-	(1,653)	(1,653)
Total comprehensive loss for the year	-	-	(1,653)	(1,653)
Transactions with owners in their capacity as owners:				
Equity benefits issued to employees	-	(36)	-	(36)
Balance at 30 June 2024	133,170	10,470	(96,883)	46,757

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

CONSOLIDATED STATEMENT OF CASHFLOWS

For the year ended 30 June 2024

	Note	2024 US$'000	2023 US$'000
Cash flows from operating activities			
Oil and gas sales (net)		20,695	36,547
Payments to suppliers and employees		(12,414)	(14,445)
Payments on settlement of derivative financial instruments		-	(1,809)
Payments for exploration and evaluation		(513)	(2,674)
Interest received		1,393	133
Interest paid		(106)	(613)
Income tax paid		(1,388)	(1)
Net cash inflow from operating activities	10	**7,667**	**17,138**
Cash flows from investing activities			
Proceeds/(payment) for sale/(purchase) of investments		1,046	(575)
Payments for property, plant and equipment		-	(5)
Insurance claim proceeds		7,556	-
Payments for development and evaluation		(1,934)	(15,052)
Bond for development asset		-	(50)
Net cash inflow/(outflow) from investing activities		**6,668**	**(15,682)**
Cash flows from financing activities			
Loan repayments		-	(2,300)
Transaction costs relating to borrowings		-	-
Net cash outflow from financing activities		**-**	**(2,300)**
Net increase/(decrease) in cash and cash equivalents		14,335	(844)
Cash and cash equivalents at the beginning of the financial year		25,851	26,764
Effects of exchange rate changes on cash		309	(70)
Cash and cash equivalents at the end of the financial year	9	**40,495**	**25,851**

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

ABOUT THIS REPORT

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

The consolidated general purpose financial report of the Group was authorised for issue in accordance with a resolution of the Directors on 13 September 2024.

Basis of preparation

The financial report is a general purpose financial report which:

- has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- has been prepared on a historical cost basis, except for certain financial instruments which have been measured at fair value;
- presents reclassified comparative information where required for consistency with the current year's presentation; and
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the Group and effective for reporting periods beginning on or before 1 July 2023. Refer to Note 28 for further details.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group. A list of controlled entities (subsidiaries) is contained in Note 19.

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

Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in United States dollars, which is Otto Energy Limited's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

ABOUT THIS REPORT (continued)

Rounding of amounts

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

Other accounting policies

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

Going concern

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

Key estimates and judgements

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

- Note 8 Income tax
- Note 13 Oil and gas properties
- Note 15 Provisions

FINANCIAL PERFORMANCE

1. Segment information

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

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board. The Group had two reportable segments during 2024. Reportable segments exclude results from discontinued operations.

The segment information for the reportable segments for the year ended 30 June 2024 is as follows:

2024	**Gulf of Mexico (USA)**	**Other**	**Consolidated**
	US$'000	**US$'000**	**US$'000**
Operating revenue (net)	20,366	-	20,366
Cost of sales	(9,744)	-	(9,744)
Gross profit	10,622	-	10,622
Other income	714	730	1,444
Loss on disposal of property, plant and equipment	(34)	-	(34)
Gain on investments at fair value (net of transaction costs)	517	-	517
Exploration expenditure	(514)	-	(514)
Impairment	(9,101)	-	(9,101)
Finance costs	(255)	(5)	(260)
Administration and other expenses	(2,511)	(1,339)	(3,850)
Loss before income tax from continuing operations	(562)	(614)	(1,176)
Income tax expense	(440)	(37)	(477)
Loss after income tax from continuing operations	(1,002)	(651)	(1,653)
30 June 2024			
Total non-current assets	11,761	2	11,763
Total assets	26,069	28,754	54,823
Total liabilities	7,822	244	8,066

1. Segment information (continued)

The segment information for the reportable segments for the year ended 30 June 2023 is as follows:

2023	Gulf of Mexico (USA)	Other	Consolidated
	US$'000	US$'000	US$'000
Operating revenue (net)	33,432	-	33,432
Cost of production	(11,739)	-	(11,739)
Gross profit	21,693	-	21,693
Other income	154	26	180
Loss on investments at fair value (net of transaction costs)	(215)	(2,814)	(3,029)
Exploration expenditure	(2,977)	-	(2,977)
Impairment	(19,800)	-	(19,800)
Finance costs	(1,049)	(6)	(1,055)
Gains on derivative financial instruments	1,501	-	1,501
Administration and other expenses	(4,384)	(2,053)	(6,437)
Loss before income tax from continuing operations	(5,077)	(4,847)	(9,924)
Income tax (expense)/reversal	2,924	(6)	2,918
Loss after income tax from continuing operations	(2,153)	(4,853)	(7,006)
30 June 2023			
Total non-current assets	31,772	3	31,775
Total assets	48,990	11,800	60,790
Total liabilities	10,534	1,810	12,344

2. Net operating revenue and other income

	2024 US$'000	2023 US$'000
South Marsh 71 (SM 71) sales[(i) (v)]		
Oil sales	11,234	22,313
Gas sales	342	1,304
Natural gas liquids sales	58	-
Total sales	11,634	23,617
Less: royalties[(i)]	(2,170)	(4,418)
SM 71 operating revenue (net)	9,464	19,199
Bulleit Field (GC 21) sales[(ii) (v)]		
Oil sales	2,655	971
Gas sales	118	52
Natural gas liquids sales	81	33
Total sales	2,854	1,056
Less: royalties[(ii)]	(534)	(197)
GC 21 operating revenue (net)	2,320	859

2. Net operating revenue and other income (continued)

	2024 US$'000	2023 US$'000
Lightning sales[iii] [v]		
Oil sales	2,421	2,812
Gas sales	2,903	4,482
Natural gas liquids sales	1,192	1,351
Lightning operating revenue (net)	6,516	8,645
Mosquito Bay West sales[iii] [v]		
Oil sales	472	745
Gas sales	423	831
Natural gas liquids sales	109	129
Mosquito Bay West operating revenue (net)	1,004	1,705
Oyster Bayou South sales[iii] [v]		
Oil sales	967	2,417
Gas sales	76	507
Natural gas liquids sales	19	63
Oyster Bayou South operating revenue (net)	1,062	2,987
Vick #1 sales[iii] [v]		
Gas sales	-	37
Vick #1 operating revenue (net)	-	37
Total operating revenue (net)	20,366	33,432

	2024 US$'000	2023 US$'000
Interest income[iv]	1,444	180
	1,444	180

(i) SM 71 net operating revenue is shown net of royalty payments payable to the (USA) Office of Natural Resources Revenue. Royalty payments are 18.75% of gross revenue under the terms of the SM 71 lease.
(ii) GC 21 net operating revenue is shown net of royalty payments totalling 20%.
(iii) Proceeds from the sale of oil and gas from the Lightning field, Mosquito Bay West, Oyster Bayou South and Vick#1 wells are received net of royalty payments.
(iv) Interest income is recognised using the effective interest rate method.
(v) Gross oil revenue (US$11.2 million) from Gulf of Mexico SM 71 and Gross oil revenue (US$2.7 million) from Gulf of Mexico GC 21, were sold to the same single customer. Net gas revenue (US$0.3 million) from Gulf of Mexico SM 71, net oil revenue (US$2.4 million) and net gas revenue (US$4.1million) from Lightning were all sold to different single customers. Net gas revenue (US$0.2 million) from Gulf of Mexico GC 21 was sold to multiple different customers.

2. Net operating revenue and other income (continued)

Recognition and measurement

Revenue from the sale of SM 71 oil & gas is recognised and measured in the accounting period in which the goods and/or services are provided based on the amount of the transaction price allocated to the performance obligations. The performance obligation is the supply of oil & gas over the contractual term; the units of supply represent a series of distinct goods that are substantially the same with the same pattern of transfer to the customer. The performance obligation is considered to be satisfied as the customer receives the supply through the pipeline, based on the units delivered. Hence revenue is recognised over time.

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

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

Production from Mosquito Bay West and Oyster Bayou South is measured at the wellhead and sent to a third party owned central processing facility where production is processed and commingled with other third party production and exported via sales pipeline. Revenue from the sale of Mosquito Bay West and Oyster Bayou South oil are recognised as liquids are recovered at the termination of the sales pipeline after it has passed through a liquids recovery plant. Gas is delivered to a regional Natural Gas Liquids (NGL) extraction plant where NGLs are extracted and the residue gas delivered to a gas sales pipeline. Revenue for NGLs is recognised at the plant gate after NGLs have been extracted from the raw gas stream, revenue for gas sales is recognised at inlet to the gas sales pipeline, hence revenue is recognised at a point in time.

3. Cost of Sales

	2024 US$'000	2023 US$'000
Gathering and production charges	6,715	5,900
Amortisation of capitalised developments – Note 13	3,029	5,839
Total cost of sales	9,744	11,739

4. Gain/(loss) on investments at fair value

	2024 US$'000	2023 US$'000
Gain/(loss) on fair value of Pantheon Resources Plc shares (net of transaction costs)	517	(3,029)
Total gain/(loss) on fair value of investments	517	(3,029)

The Company sold the remaining 3,272,592 shares of Pantheon Resources Plc (London Stock Exchange: PANR), in November and December 2023 for net proceeds of US$1.05 million. The Company continues to hold a 0.5% of 8/8ths overriding royalty interest (ORRI) in any future production from the Talitha Unit in Alaska, which is operated by Pantheon.

4. Gain on investments at fair value (continued)

Gain on investments (net of transaction costs) for the current year was US$0.5 million (2023: Loss of US$3.0 million), which was attributable to the shares of Pantheon Resources Plc (LSE: PANR) held by the Company.

5. Exploration expenditure

	2024 US$'000	2023 US$'000
Exploration expenditure – Gulf of Mexico/Gulf Coast	514	2,977
	514	2,977

Recognition and measurement

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

Exploration expenditure in relation to the Gulf of Mexico/Gulf Coast predominantly includes the exploration drilling of the Lightning US$0.2 million (2023: US$0.2 million), Mosquito Bay West US$0.1 million (2023: US$0.9 million) and Oyster Bayou South US$0.2 million (2023: US$1.7 million) prospects.

6. Other expenses

	2024 US$'000	2023 US$'000
i) Finance Costs		
Interest and commitment fees on borrowings	-	607
Amortisation of borrowing costs	7	351
Accretion of decommissioning fund	248	58
Other	5	39
Total finance cost	260	1,055
ii) Administration and other expenses		
Employee benefits expense		
Defined contribution superannuation expense	73	90
Share-based payment reversal	(36)	-
Other employee benefits expenses	2,086	3,507
Total employee benefits expense	2,123	3,597

6. Other expenses (continued)

	2024 US$'000	2023 US$'000
Depreciation expense[i]		
Property, plant and equipment		
Furniture and equipment	46	63
Total depreciation expense	46	63
Corporate and other costs	1,816	2,328
Business development	174	379
Foreign currency (gains)/losses	(309)	70
	1,681	2,777
Total administration and other expenses	3,850	6,437

(i) Depreciation and amortisation charges are included above in Note 6 Other expenses and Note 3 Cost of sales. Total depreciation and amortisation for the Consolidated Entity is US$3.9 million (2023: US$5.9 million)

7. Earnings per share

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

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

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

	2024	2023
Loss attributable to owners of the Company (US$'000)	(1,653)	(7,006)
Weighted average number of ordinary shares on issue for basic and diluted earnings per share (number)	4,795,009,773	4,795,009,773
Basic and diluted profit/(loss) per share attributable to owners of the Company (US cents)	(0.03)	(0.15)

8. Income tax

	2024 US$'000	2023 US$'000
The components of tax expense comprise:		
Current tax[(i)]	441	6
Deferred tax – origination and reversal of temporary differences	-	-
Prior period under/ (over) provision[(i)]	36	(2,924)
	477	(2,918)
Reconciliation of income tax expense to prima facie tax payable:		
Loss before income tax	(1,176)	(9,924)
Prima facie income tax at 30%	(353)	(2,977)
Difference in overseas tax rates	65	(744)
Non-assessable income	-	-
Tax effect of amounts not deductible in calculating taxable income	3,399	6,059
Benefit of deferred tax assets not brought to account	(2,670)	(2,332)
Prior period under/(over) provision[(i)]	36	(2,924)
Income tax expense/(benefit)	477	(2,918)
Deferred tax assets		
Temporary differences		
– provisions and other corporate costs	(337)	(237)
– exploration and evaluation costs	-	-
Deferred tax assets brought to account	(337)	(237)
Tax losses - revenue	11,149	10,959
Tax losses - foreign	5,791	4,798
	16,603	15,520
Offset against deferred tax liabilities recognised	(1,740)	(7,230)
Deferred tax assets not brought to account	(14,863)	(8,290)
Deferred tax assets brought to account	-	-
Deferred tax liabilities		
Temporary differences – Oil and gas properties	1,740	7,230
Offset by deferred tax assets recognised	(1,740)	(7,230)
Deferred tax liabilities brought to account	-	-

[(i)]Income tax expense relates to 2022 Danish income tax expense.

Recognition and measurement

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than

8. Income tax (continued)

a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

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

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

Key estimates and judgements

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

In addition, the Group recognises deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation jurisdiction and the same subsidiary against which the unused tax losses can be utilised. However, utilisation of the tax losses depends on the ability of the entity to satisfy certain tests at the time the losses are recouped. In particular for the Group's US based tax losses, significant judgement has been applied in determining the availability of losses which can be used to offset taxable income.

9. Cash and cash equivalents

	2024 US$'000	2023 US$'000
Cash at bank and on hand	14,526	25,851
Term deposits	25,969	-
Balance at end of period	40,495	25,851

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

	2024 US$'000	2023 US$'000
Loss after income tax	(1,653)	(7,006)
Non-cash items:		
Impairment	9,101	19,800
Depreciation expense – furniture and equipment	46	63
Loss on sale of property, plant and equipment	34	-
(Gain)/loss on investments at fair value	(517)	3,029
Share-based payment reversal	(36)	-
Gain on derivative instruments at fair value	-	(3,310)
Finance costs	260	409
Amortisation of capitalised developments – see Note 3	3,029	5,839
Other non-cash items	(322)	320
Change in assets and liabilities:		
Decrease in trade and other receivables	280	3,068
Increase in other assets	(212)	(1,648)
Decrease in trade and other payables	(1,443)	(546)
Decrease in provisions	(900)	(2,880)
Net cash inflow from operating activities	7,667	17,138

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

	2024 US$'000	2023 US$'000
Borrowings		
Balance at the start of the year	-	1,949
Repayment on borrowings	-	(2,300)
Borrowing transaction costs	-	-
Amortisation borrowing costs	-	351
Balance at the end of the year	-	-

OPERATING ASSETS AND LIABILITIES

11. Trade and other receivables

	2024 US$'000	2023 US$'000
Trade receivables[(i)]	1,733	2,063
Other receivables	95	47
	1,828	2,110

12. Other assets

	2024 US$'000	2023 US$'000
Current		
Financial assets at fair value through profit or loss[(i)]	-	529
Prepayments[(ii)]	660	448
Other assets	77	77
	737	1,054
Non-current		
Bonds[(iii)]	425	425
Investments[(iv)]	575	575
	1,000	1,000

(i) The Company sold the remaining 3,272,592 shares of PANR in November and December 2023.
(ii) Prepaid insurance (US$0.64 million)
(iii) Development bond for SM 71 (US$0.325 million), GC 21 (US$0.05 million) and ST 48 ($US0.05 million)
(iv) Investment in Minotaur Mineral Development Fund 1, LLC

Recognition and measurement

Other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Financial assets held at fair value through profit or loss (FVPL)

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

Financial assets held at fair value through other comprehensive income (FVOCI)

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

12. Other assets (continued)

These instruments are recognised at fair value, with changes in fair value being recognised directly in other comprehensive income.

Management have elected not to apply the FVOCI election and to hold the equity investment in Pantheon shares at fair value through profit and loss. The Company sold the remaining 3,272,592 shares of Pantheon Resources Plc (London Stock Exchange: PANR), in November and December 2023.

13. Oil and gas properties

	2024 US$'000	2023 US$'000
Producing and development assets		
At cost		
SM 71 balance at beginning of year	10,645	11,298
SM 71 expenditure for the year	19	815
SM 71 decommissioning for the year	(125)	(8)
SM 71 amortisation of assets	(1,481)	(1,460)
SM 71 balance at end of year	9,058	10,645
Lightning balance at beginning of year	1,846	3,446
Lightning decommissioning for the year	(53)	(62)
Lightning amortisation of assets	(711)	(1,538)
Lightning balance at end of year	1,082	1,846
GC 21 balance at beginning of year	17,273	17,899
GC 21 expenditure for the year	111	18,973
GC 21 decommissioning for the year	(220)	2,444
GC 21 impairment	(9,101)	(19,800)
GC 21 amortisation of assets	(506)	(2,243)
GC 21 insurance proceeds	(7,555)	-
GC 21 balance at end of year	-	17,273
Vick #1 balance at beginning of year	-	96
Vick #1 expenditure for the year	11	24
Vick #1 decommissioning for the year	6	(22)
Vick #1 amortisation of assets	(17)	(98)
Vick #1 balance at end of year	-	-
Mosquito Bay West balance at beginning of year	568	35
Mosquito Bay West expenditure for the year	3	683
Mosquito Bay West decommissioning for the year	(3)	27
Mosquito Bay West amortisation of assets	(87)	(177)
Mosquito Bay West balance at end of year	481	568

13. Oil and gas properties (continued)

Oyster Bayou South balance at beginning of year	355	-
Oyster Bayou South expenditure for the year	-	649
Oyster Bayou South decommissioning for the year	5	28
Oyster Bayou South amortisation of assets	(227)	(322)
Oyster Bayou South balance at end of year	133	355
Total oil and gas properties	10,754	30,687

Recognition and measurement

i) Producing and development assets

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

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

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

Prepaid drilling and completion costs

Where the Company has a non-operated interest in an oil or gas property, it may periodically be required to make a cash contribution for its share of the Operator's estimated drilling and/or completion costs, in advance of these operations taking place.

Where these contributions relate to a prepayment for exploratory or early stage drilling activity, prior to a decision on the commerciality of a well having been made, the costs are expensed in profit or loss when the cash call is paid. The Operator notifies the Company as to how funds have been expended and any relevant costs are reclassified from exploration expense and capitalised to deferred oil and gas properties.

Where these contributions relate to a prepayment for well completion, these costs are capitalised as prepaid completion costs within oil and gas properties.

Commencement of production

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

13. Oil and gas properties (continued)

Amortisation and depreciation of producing projects

The Group uses the units of production (UOP) approach when amortising and depreciating field-specific assets. Using this method of amortisation and depreciation requires the Group to compare the actual volume of production to the reserves and then to apply this determined rate of depletion to the carrying value of the depreciable asset.

Capitalised producing project costs relating to commercially producing fields are depreciated/amortised using the UOP basis once commercial quantities are being produced within an area of interest. The reserves used in these calculations are the proved plus probable reserves (2P) plus (2P) future development costs and are reviewed at least annually.

Key estimates and judgements

Carrying value of oil and gas assets

Judgement is required to determine when an exploration activity ceases and an evaluation or development activity commences. Evaluation is deemed to be activities undertaken from the beginning of the definitive feasibility study or testing conducted to assess the technical commercial viability of extracting a resource before moving into the development phase. Development assets include evaluation, construction, installation or completion of production and infrastructure facilities such as platforms and pipelines, development wells, acquired development or producing assets, capitalised borrowing costs and the estimated costs of decommissioning, dismantling and restoration.

Circumstances vary for each area of interest and where exploration, evaluation and development activities are conducted within a continual timeframe as part of the same project or drilling campaign with common service providers, a degree of estimation is required in determining the amount of costs capitalised as evaluation and development assets under oil and gas properties.

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

Impairment

Assets are tested for impairment in line with AASB 136. Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value, which is a product of quantity of reserves, prices, and operating costs, less the cost to sell and value in use.

Due to the interrelated nature of the assumptions, movements in any one variable can have an indirect impact on others and individual variables rarely change in isolation. Additionally, management can be expected to respond to some movements, to mitigate downsides and take advantage of upsides, as circumstances allow. Consequently, it is impractical to estimate the indirect impact that a change in one assumption has on other variables and hence, on the likelihood, or extent, of impairments under different sets of assumptions in subsequent reporting periods.

As at 31 December 2023, the Company assessed each cash generating unit (CGU) for indicators of impairment. Impairment indicators were identified on the GC-21 CGU in relation to well performance and an increasing gas to oil ratio (GOR) and SM-71 due to 2P estimated reserve revisions on the SM-71 F1 well.

13. Oil and gas properties (continued)

As at 31 December 2023, GC-21 and SM-71 recoverable values were calculated using a VIU (value in use) calculation. The estimated future cash flows for the VIU calculation are based on estimates, the most significant of which are hydrocarbon reserves (excluding uncommitted developments), future production profiles, commodity prices, operating costs and committed development costs.

GC 21
At 31 December 2023, the Group assessed the GC 21 Bulleit cash generating unit and determined that the carrying value of the GC 21 Bulleit cash generating unit was nil.

The basis of reserves in the GC 21 VIU model was the 31 December 2023 2P estimated reserve volumes provided by Ryder Scott, the qualified external petroleum engineering consultant.

Estimated reserves as at 31 December 2023 on a 2P basis were as follows: Gross (100%) oil 792 Mbbl/Gross (100%) gas 1,507 MMcf. (June 2023: Gross (100%) oil 2,996 Mbbl/Gross (100%) gas 2,546 MMcf). The 30 June 2024 reserve estimates were consistent with those used in the VIU model at 31 December 2023. (June 2024: Gross (100%) oil 803 Mbbl/Gross (100%) gas 1,590 MMcf).

Estimates of future commodity prices are based on the Group's best estimate of future market prices with reference to external market analyst's forecasts, current spot prices and forward curves. 31 December 2023, production weighted average estimates used in the VIU model were $71/Bbl oil and $3.57/MMBtu gas.

The discount rates applied to the future forecast cash flows are based on the weighted average cost of capital. The pre-tax discount rates that has been applied to non-current assets is 15%.

SM-71
As at 31 December 2023, the Group assessed the SM-71 cash generating unit and determined that there were no impairment losses.

Management considered sensitives of the key inputs and assumptions and have concluded a reasonable adverse change in assumptions would not give rise to an impairment.

For the year ended 30 June 2024, the Group has determined that there is an impairment loss of US$9.1 million bringing the carrying value of the GC 21 Bulleit cash generating unit to nil. No impairment loss on SM 71 was recognised for the year and no impairment indicators were present at 30 June 2024 with proved and producing (1P) reserves consistent with prior year reserve estimates.

There were no impairment indicators identified for the other assets at 30 June 2024.

Amortisation
Estimation of amortisation of the SM 71, GC 21, Mosquito Bay West, Oyster Bayou South and Lightning oil and gas assets is based on the updated 2P reserves estimate and estimated future development costs as at 30 June 2024. Producing assets are amortised on a unit of production basis on 2P reserves. The estimated reserves for all fields were compiled by Otto's independent consultant Ryder Scott Company. The method of amortisation necessitates the estimation of oil and gas reserves over which the carrying value of the relevant asset will be expensed to profit or loss. See below for judgements relating to reserve estimates.

Reserve Estimates
Estimation of reported recoverable quantities of proved and provable reserves include judgemental assumptions regarding commodity prices, exchange rates, discount rates and production and transportation cost for future cash flows. It also requires interpretation of complex geological and geophysical models in order

13. Oil and gas properties (continued)

to make an assessment of the size, shape, depth and quality of reservoirs and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period. Changes in reported estimated reserves can impact assets' carrying amounts, provision for restoration and recognition of deferred tax assets due to changes in expected future cash flows. Reserves are integral to the amount of depreciation, amortisation and impairment charged to the income statement.

14. Trade and other payables

	2024 US$'000	2023 US$'000
Trade payables	1,344	4,179
Other accrued expenses	79	469
	1,423	4,648

15. Provisions

	2024 US$'000	2023 US$'000
Current		
Employee benefits	46	39
Tax(i)	520	1,434
	566	1,473
Non-current		
Employee benefits (ii)	28	22
Decommissioning fund – GC 21 Bulleit(iii)	4,096	4,148
Decommissioning fund – Lightning(iii)	87	134
Decommissioning fund – SM 71 (iii)	1,807	1,859
Decommissioning fund – Mosquito Bay(iii)	26	27
Decommissioning fund – Oyster Bayou South(iii)	33	28
Decommissioning fund – Vick #1(iii)	-	5
	6,077	6,223

(i) Provision for income tax expense primarily relates to mark to market corporate income tax incurred on the Pantheon shares held by Otto Energy Alaska LLC, a subsidiary of Otto Energy (Galoc Investment 1) ApS and Otto Energy (Galoc Investment 2) ApS ($US1.4 million).

(ii) The non-current provision for employee benefits includes amounts not expected to be settled within the next 12 months.

(iii) The total present value of the estimated expenditure required to decommission the wells and facilities. The expenditure is expected to be settled at the end of the field life for the 2P production profile.

15. Provisions (continued)

Recognition and measurement

Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably. Liabilities recognised in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

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

Contributions to superannuation plans are expensed when incurred.

Decommissioning fund

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

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

Provision is made for the estimated cost of legal and constructive obligations to restore operating locations in the period in which the obligation arises. The estimated costs are capitalised as part of the cost of the related project where recognition occurs upon acquisition of an interest in the operating locations. The carrying amount capitalised is amortised on a unit of production basis during the production phase of the project.

Work scope and cost estimates for restoration are reviewed annually and adjusted to reflect the expected cost of restoration. The Group accounts for changes in cost estimates on a prospective basis.

Key estimates and judgements

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

CAPITAL STRUCTURE, FINANCIAL INSTRUMENTS AND RISK

16. Contributed equity

	2024 Number	2023 Number	2024 US$'000	2023 US$'000
Share capital	4,795,009,773	4,795,009,773	133,170	133,170

Ordinary shares

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

Options

Information relating to the Otto Energy Employee Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period, is set out in Note 21.

On 27 August 2021, the Company announced that it had issued 30 million options to Foster Stockbroking Pty Ltd pursuant to the terms of an Equity Capital Markets Advisory Agreement. Of these, 20 million options have an exercise price of $0.02 per option with an expiry date of 27 August 2024 and 10 million options have an exercise price of $0.025 per option and an expiry date of 27 August 2024.

Performance rights

Information relating to the Otto Energy Employee Performance Rights Plan, including details of performance rights issued, exercised and lapsed during the financial year and performance rights outstanding at the end of the reporting period, is set out in Note 21.

Recognition and measurement

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

17. Reserves

	2024 US$'000	2023 US$'000
Share-based payments reserve	10,470	10,506
	10,470	10,506
Share-based payments reserve		
Balance at beginning of year	10,506	10,506
Share-based payment expense/(reversal)	(36)	-
Balance at end of year	10,470	10,506

The share-based payments reserve is used to recognise the value of share-based payments provided to employees (including key management personnel) as part of their remuneration and share options issued as part of advisory consideration. Refer to Note 21 for further details of these plans.

18. Financial instruments

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

Otto's Board of Directors ('Board') is responsible for approving Otto's policies on risk oversight and management and ensuring management has developed and implemented effective risk management and internal controls. Risk management is carried out by the senior executives under these policies which have been approved by the Board. Management identifies, evaluates and, if necessary, hedges financial risks within the Group's operating units. The Board then receives reports as required from the Chief Financial Officer or Senior Commercial Manager in which they review the effectiveness of the processes implemented and appropriateness of policies it sets. At all times during the year, and to the date of this report, the Group did not apply any form of hedge accounting.

a) Market risk

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

b) Currency risk

The Group's source currency for the majority of revenue and costs is in US dollars. The cash relating to previously announced return of capital to shareholders of up to A$40 million, or A$0.008 per share is held by the Company in an AUD deposit account.

Given the substantial AUD holding at 30 June 2024 there is an exposure to foreign exchange risk arising from the fluctuations in the USD to AUD exchange rate on Australian dollar cash balances and monetary items at year end.

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

The Board has formed the view that in the ordinary course of business it would not be beneficial for the Group to purchase forward contracts or other derivative financial instruments to hedge the operational currency risk. AUD for the planned return of capital was purchased at an average exchange rate of AUD/USD 0.66

Factors which the Board considered in arriving at this position included the expense of purchasing such instruments and the inherent difficulties associated with forecasting the timing and quantum of cash inflows and outflows compared to the relatively low volume and value of commercial transactions and monetary items denominated in a currency which is not US dollars.

A hypothetical change of 10% (2023: 10%) in the Australian dollar exchange rate was used to calculate the Group's sensitivity to foreign exchange rates movements, as this is management's estimate of possible rate movements over the coming year taking into account current market conditions and past volatility. At 30 June 2024, management has assessed that the entity's exposure to foreign exchange movements below:

	2024 US$'000	2023 US$'000
Cash and cash equivalents held in AUD	26,210	179
	26,210	179

18. Financial instruments (continued)

The following sensitivity analysis is based on the currency rate risk exposures in existence at the reporting date. The 10.0% sensitivity (2023: 10.0% sensitivity) is based on reasonable possible changes.

Judgements of reasonably possible movements	**Effect on post tax losses Increase/(decrease)**	
	2024	**2023**
	US$'000	**US$'000**
Increase 10% (2023:10%)	2,621	18
Decrease 10% (2023:10%)	(2,621)	(18)

c) Interest rate risk

Interest rate risk is the risk that the Group's financial position will fluctuate due to changes in market interest rates. At 30 June 2024 the Group's exposure to the risk of changes in the market interest rates relates to interest income on cash and cash equivalents held on term deposit with Westpac Banking Corporation in Australia and Bank of America in the United States.

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

	2024	**2023**
	US$'000	**US$'000**
Cash and cash equivalents	29,163	12,052
	29,163	12,052

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date. The 2.0% sensitivity (2023: 2.0% sensitivity) is based on reasonably possible changes, over a financial year, using an observed range of historical short-term deposit rate movements over the last 3 years.

Judgements of reasonably possible movements	**Effect on post tax losses Increase/(decrease)**	
	2024	**2023**
	US$'000	**US$'000**
Increase 200 basis points (2023:200 basis points)	583	241
Decrease 200 basis points (2023:200 basis points)	(583)	(241)

d) Commodity price risk

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

Otto may utilise commodity price hedge instruments to minimise exposure to short-term price fluctuations by using a series of swaps, costless collars and/or puts. The Company evaluates market prices and sensitivities from time to time to determine when it would be appropriate to enter into these hedges. Unrealised gains or losses associated with hedges vary period to period, and are a function of hedges in place, the strike prices of those hedges and the forward curve pricing for the commodities being hedged.

18. Financial instruments (continued)

Currently, there are no hedge instruments in place and the Group is exposed to commodity price risk on oil and gas revenue. The following sensitivity analysis is based on the commodity price risk exposures in existence at the reporting date. The 10.0% sensitivity is based on reasonable possible changes.

Judgements of reasonably possible movements	**Effect on post tax losses Increase/(decrease)**	
	2024	**2023**
	US$'000	**US$'000**
Increase 10%	-	3,343
Decrease 10%	-	(3,343)

e) Credit risk

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

To manage credit risk from cash and cash equivalents, it is the Group's policy to only deposit with banks maintaining a minimum independent rating of 'AA', 'A+' or 'A-'. Contracts for the sale of production from SM 71, GC 21 and Lightning are with creditworthy customers and counterparties.

Receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts in the ordinary course of business is not significant. At reporting date no receivables were overdue.

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

	2024	**2023**
	US$'000	**US$'000**
Cash and cash equivalents	40,495	25,851
Trade and other receivables	1,828	2,110
	42,323	27,961

f) Liquidity risk

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

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

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows with scenario analysis. As at reporting date the Group had sufficient cash reserves to meet its current requirements and no receivables were overdue. The contractual maturity analysis of payables at the reporting date was as follows:

18. Financial instruments (continued)

	Carrying Value US$'000	Total US$'000	Less than 1 year US$'000	Between 1-2 years US$'000	Between 2-5 years US$'000
Trade and other payables					
2024	1,423	1,423	1,423	-	-
2023	4,648	4,648	4,648	-	-

g) Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while optimisation the potential return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group at year end comprises 100% equity (2023: 100% equity).

In determining the funding mix of debt and equity (total borrowings/total equity), consideration is given to the relative impact of the gearing ratio on the ability of the Group to service interest and repayment schedules, credit facility covenants and also to generate adequate free cash available for corporate and oil and gas exploration, development and production activities.

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

h) Equity price risk

The Group has no exposure to equity price risk on its equity investments at 30 June 2024. The Company sold the remaining 3,272,592 shares of Pantheon Resources Plc (London Stock Exchange: PANR), in November and December 2023.

OTHER DISCLOSURES

19. Subsidiaries

Significant investments in subsidiaries

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

Subsidiaries of Otto Energy Limited	Country of incorporation	Functional currency	Class of shares	Ownership Interest 2024 (%)	Ownership Interest 2023 (%)
Otto Energy (Galoc Investment 1) Aps	Denmark	USD	Ordinary	100	100
Otto Energy (Galoc Investment 2) Aps	Denmark	USD	Ordinary	100	100
GPC Investments SA	Switzerland	USD	Ordinary	100	100
Borealis Petroleum Pty Ltd	Australia	USD	Ordinary	100	100
Otto Energy Alaska (Delaware) LLC(i)	USA	USD	Ordinary	-	100
Otto Energy Resources Corporation (Delaware)	USA	USD	Ordinary	100	100
Otto Energy (USA) Inc	USA	USD	Ordinary	100	100
Otto Energy (Louisiana) LLC	USA	USD	Ordinary	100	100
Otto Energy (Gulf One) LLC	USA	USD	Ordinary	100	100
Otto Energy (Gulf Two) LLC	USA	USD	Ordinary	100	100
Otto Operating LLC	USA	USD	Ordinary	100	100

(i) Otto Energy Alaska (Delaware) LLC was dissolved during the year

20. Interest in operations

a) Operations

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

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

Asset	Country	2024 Group WI	2023 Group WI
South Marsh Island 71	USA	50%	50%
Lightning	USA	37.5%	37.5%
GC 21	USA	16.67%	16.67%
Eaves(i)	USA	-	10.3%
Mosquito Bay West	USA	30%	30%
Oyster Bayou South	USA	30%	30%

(i) Eaves was plugged and abandoned during the year

20. Interest in operations (continued)

b) Commitments through interests in operations

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

	2024 US$'000	2023 US$'000
Exploration expenditure commitments – not later than 1 year	-	95
Capital expenditure commitments – not later than 1 year	397	-
Capital expenditure commitments – later than one year but not later than five years[(i)]	-	1,667
	397	1,762

(i) Capital expenditure commitments relate to the SM 71 compressor upgrade

21. Share-based payments

a) Employee share option plan

The establishment of the Employee Share Option Plan was approved by shareholders at the 2016 Annual General Meeting and again at the 2019 Annual General Meeting. The Employee Share Option Plan is designed to provide long-term incentives for employees and key management personnel (KMP) to deliver long-term shareholder returns. Under the plan, participants are granted options at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. Options granted under the plan carry no dividend or voting rights.

The exercise price of options is based on the weighted average price at which the Company's shares are traded on the Australian Securities Exchange (ASX) during the week up to and including the date of the grant. An option may only be exercised after that option has vested and any other conditions imposed by the Board on exercise are satisfied. Options are granted under the plan for no consideration.

There were no employee options on issue during the 2024 financial year. The Company did not grant any employee options during the 2024 or 2023 financial years.

b) Options issued to external parties

In addition to customary upfront fees payable to Macquarie, the Company issued to Macquarie 42.5 million options to subscribe for fully paid ordinary shares in the Company. The initial 42.5 million options vested in November 2019 and expired in November 2023.

On 27 August 2021, the Company announced that it had issued 30,000,000 options to Foster Stockbroking Pty Ltd pursuant to the terms of an Equity Capital Markets Advisory Agreement. Of these, 20,000,000 options have an exercise price of $0.02 per option with an expiry date of 27 August 2024 and 10,000,000 options have an exercise price of $0.025 per option and an expiry date of 27 August 2024. These options vested immediately on issue and were expensed in the accounts at fair value using a Black Scholes model (Tranche A US$59,171, Tranche B US$26,621).

21. Share-based payments (continued)

c) Performance rights

The Performance Rights Plan was approved by shareholders at the 2016 Annual General Meeting and again at the 2019 Annual General Meeting. The Performance Rights Plan is designed to provide long-term incentives for senior managers and employees to deliver long-term shareholder returns. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. The amount of performance rights that will vest depends on vesting period and/or Otto Energy Limited's TSR, including share price growth, dividends, and capital returns. Once vested, the performance rights are automatically converted to shares. If the vesting condition is not met on a measurement date (no rights vest), the performance rights will not lapse and will continue to exist as unvested performance rights to be retested at the next measurement date or expiry date, whichever is later. Performance rights are granted under the plan for no consideration. Rights granted under the plan carry no dividend or voting rights. Any unvested performance rights lapse on cessation of employment or office.

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

2024		**Fair value on date of issue**	**Fair value on date of issue**	**Balance at start of the year**	**Rights issued during the year**	**Exercised/ vested**	**Lapsed/ expired**	**Balance at end of the year**
Grant date	**Expiry date**	**A$**	**US$**	**Number**	**Number**	**Number**	**Number**	**Number**
21 Dec 2018	15 Nov 2023	0.01	0.01	5,919,333	-	-	(5,919,333)	-
21 Dec 2018	15 Nov 2023	0.01	0.01	2,959,667	-	-	(2,959,667)	-
15 Nov 2018	15 Nov 2023	0.02	0.02	595,000	-	-	(595,000)	-
21 Dec 2018	15 Nov 2023	0.01	0.01	3,497,333	-	-	(3,497,333)	-
15 Nov 2018	15 Nov 2023	0.03	0.02	595,000	-	-	(595,000)	-
21 Dec 2018	15 Nov 2023	0.01	0.01	3,497,335	-	-	(3,497,335)	-
15 Nov 2018	15 Nov 2023	0.03	0.02	595,000	-	-	(595,000)	-
21 Dec 2018	15 Nov 2023	0.01	0.01	3,497,332	-	-	(3,497,332)	-
Total				21,156,000	-	-	(21,156,000)	-
Weighted average exercise price – A$				0.01				

2023		**Fair value on date of issue**	**Fair value on date of issue**	**Balance at start of the year**	**Rights issued during the year**	**Exercise/ Vested/ lapsed/ expired**	**Balance at end of the year**
Grant date	**Expiry date**	**A$**	**US$**	**Number**	**Number**	**Number**	**Number**
29 Nov 2017	29 Nov 2022	0.02	0.02	1,394,333	-	(1,394,333)	-
29 Nov 2017	29 Nov 2022	0.02	0.01	1,394,334	-	(1,394,334)	-
21 Dec 2018	15 Nov 2023	0.01	0.01	5,919,333	-	-	5,919,333
21 Dec 2018	15 Nov 2023	0.01	0.01	2,959,667	-	-	2,959,667
15 Nov 2018	15 Nov 2023	0.02	0.02	595,000	-	-	595,000
21 Dec 2018	15 Nov 2023	0.01	0.01	3,497,333	-	-	3,497,333
15 Nov 2018	15 Nov 2023	0.03	0.02	595,000	-	-	595,000
21 Dec 2018	15 Nov 2023	0.01	0.01	3,497,335	-	-	3,497,335
15 Nov 2018	15 Nov 2023	0.03	0.02	595,000	-	-	595,000
21 Dec 2018	15 Nov 2023	0.01	0.01	3,497,332	-	-	3,497,332
Total				23,944,667	-	(2,788,667)	21,156,000
Weighted average exercise price – A$				0.01			0.01

21. Share-based payments (continued)

	2024 US$'000	2023 US$'000
Set out below is the share-based payment reversal:		
Performance rights issues in financial year 2019	(36)	-
Total	(36)	-

No performance rights were granted under the Plan in the financial year 2024. The amount of performance rights that will vest depends on the vesting period and/or Otto Energy Limited's total shareholder return ('TSR'), including share price growth, dividends, and capital returns. For the rights on issue during, and at the end of the year, vesting of the rights for directors, the CEO and other members of the executive team were based on TSR performance only. The TSR performance required for the rights granted during the year ended 30 June 2019 is 15%, compounding from the date of grant to the measurement date (based on 90 day VWAP).

If on a measurement date, no rights vest and those performance rights continue to exist as unvested performance rights to be retested at the next measurement date or expiry date if there are no further measurement dates. Any unvested performance rights will lapse on cessation of employment or office under the Performance Rights Plan.

For the year ended 30 June 2024, the Group recognised a share-based payments reversal of US$0.036M (2023: nil) in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Recognition and measurement

The Group has in previous financial years provided benefits to its employees and key management personnel in the form of share-based payments, whereby services were rendered partly or wholly in exchange for shares or rights over shares.

The costs of these equity-settled transactions are measured by reference to the fair value of the equity instruments at the date on which they are granted.

The costs of these equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the equity instrument (vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the Consolidated Statement of Profit or Loss and Other Comprehensive Income is the product of (i) the fair value at grant date of the award; (ii) the current best estimate of the number of equity instruments that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of any non-market performance conditions being met and (iii) the expired portion of the vesting period.

The charge to the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

21. Share-based payments (continued)

Until an equity instrument has vested, any amounts recorded are contingent and will be adjusted if more or fewer equity instruments vest than were originally anticipated to do so. Any equity instrument subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the recipient of the award, as measured at the date of modification.

If an equity-settled transaction is cancelled (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new equity instrument is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new equity instrument is treated as if it was a modification of the original award, as described in the preceding paragraph.

Key estimates and judgements

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a single share price barrier model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

22. Related parties

	2024 US$'000	2023 US$'000
Key management personnel compensation		
Short-term employee benefits	1,354	1,842
Post-employment benefits	56	50
Other benefits	106	125
Termination benefits	129	300
Total USD	1,645	2,317
Total AUD equivalent	2,505	3,457

23. Auditor's remuneration

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2024 US$'000	2023 US$'000
BDO Audit Pty Ltd		
Audit and review of financial statements	78	58
Tax compliance services	34	8
Tax consulting and tax advice	-	-
Total remuneration of BDO Audit Pty Ltd	112	66

23. Auditor's remuneration (continued)

Network firms of BDO Audit Pty Ltd		
Audit and review of financial statements	12	33
Tax compliance services	40	28
International tax consulting	-	39
Total remuneration of network firms of BDO Audit Pty Ltd	52	100
Total	164	166

It is the Group's policy to employ BDO on assignments additional to their statutory audit duties where BDO's expertise and experience with the Group are important. These assignments are principally tax advice where BDO is awarded assignments on a competitive basis. It is the Group's policy to seek competitive tenders for all major consulting projects.

The BDO entity performing the audit of the group transitioned from BDO Audit (WA) to BDO Audit Pty Ltd on 31 July 2024. The disclosures include amounts received or due and receivable by BDO Audit (WA) Pty Ltd, BDO Audit Pty Ltd and their respective related entities.

24. Contingent assets and liabilities

On 15 April 2024 BOEM issued its final Bonding Rule entitled "Risk Management and Financial Assurance for OCS Lease and Grant Obligations" which significantly increases the amount of new supplemental financial assurance required from lessees and grant holders conducting operations on the federal outer continental shelf (OCS). The effective date of the rule is 29 June 2024. It is estimated to take up to 24 months from the date that notices to companies are distributed for BOEM to complete the processing of financial assurance demands for execution. Companies can request phased-in payments over the first 3 years to meet new supplemental financial assurance requirements.

The final rule requires lessees to meet one of two criteria based on: (1) the credit rating of the lessee or (2) the ratio of the value of proved oil and gas reserves of the lease to the estimated decommissioning liability associated with the reserves.

If neither criteria is met, lessees and grantees will be expected to provide an amount based on BSEE's P70 probabilistic decommissioning estimate. Management's assessment is that this rule will apply to the Company's interest in GC 21 but not SM 71. The actual exposure is unknown at balance date and uncertainty continues to remain on the timing, amount and implementation of this ruling. Management estimates a maximum exposure of the decommissioning liability associated with the GC 21 reserves at 30 June 2024 of $3.8 million (Otto's share) based on published decommissioning estimates. It is expected third party surety can be used as supplemental financial assurance.

As at the date of this report, no notice has been received by the Company.

25. Commitments

a) Exploration expenditure commitments

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

	2024 US$'000	2023 US$'000
Not later than 1 year	-	95
	-	95

b) Capital expenditure commitments

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

	2024 US$'000	2023 US$'000
Not later than 1 year	397	-
Later than one year but not later than five years	-	1,667
	397	1,667

Capital expenditure commitments relate to SM 71 compressor upgrade.

26. Events after the reporting period

No matters or circumstances have arisen since 30 June 2024 that have significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years apart from those listed below:

- Effective 15 July 2024, Mr Stephen Herod resigned as Chief Executive Officer and Philip Trajanovich was appointed Acting Chief Executive Officer effective 16 July 2024.

- On 31 July 2024 the Company released its statement of reserves and prospective resources as at 30 June 2024. The reserves were compiled by Otto's independent consultant Ryder Scott Company and covered SM 71, Lightning, GC 21, Mosquito Bay West and Oyster Bayou South. The contingent and prospective resources covered SM 71, Lightning and ST 48. The summary statement of reserves and resources as at 30 June 2024 and changes to reserves and resources since 30 June 2023 is set out in the Production and Development section of this Director's Report. For full details refer to ASX release dated 31 July 2024.

- On 14 August 2024 the Company advised shareholders of an updated timetable for the planned return of capital subject to receipt of an Australian Tax Office class ruling.

- On 16 August 2024 the Company advised of it's participation in the drilling of the F5-ST production acceleration well at SM 71. The well is to be side-tracked from the existing F5 well bore which Otto participated in during 2020 that is currently abandoned. The F5-ST well has estimated dry hole costs of US$5.7 million (US$2.85 million Otto share), estimated total completed well costs of US$11.3 million (US$5.65 million Otto share) with an additional US$0.3 million of hook-up costs (US$0.15 million Otto share) and no facility modifications required.

27. Parent entity disclosures

As at, and throughout the financial year ended 30 June 2024, the parent company of the Group was Otto Energy Limited.

	2024	2023
	US$'000	US$'000
	Parent entity	
Summarised statement of profit or loss and other comprehensive income		
Loss for the year after tax	(1,653)	(7,006)
Total comprehensive loss for the year	(1,653)	(7,006)
Summarised statement of financial position		
Current assets	28,236	10,171
Non-current assets	18,666	38,628
Total assets	46,902	48,799
Current liabilities	117	331
Non-current liabilities	28	22
Total liabilities	145	353
Net assets	46,757	48,446
Total equity of the parent entity comprises:		
Share capital	133,170	133,170
Share based payments reserves	10,470	10,506
Accumulated losses	(96,883)	(95,230)
Total equity	46,757	48,446

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

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

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

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2024 and 30 June 2023 beyond those listed in Note 24.

Significant accounting policies

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

28. New accounting standards and interpretations

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

Basis of preparation

The consolidated entity disclosure statement has been prepared in accordance with s295 (3A)(a) of the Corporations Act 2001 and includes the required information for Otto Energy Limited and the entities it controls in accordance with AASB 10 Consolidated Financial Statements.

Tax Residency

S295(3A)(vi) of the Corporations Act 2001 defines tax residency as having the meaning in the Income Tax Assessment Act 1997. The determination of tax residency may involve judgement as there are different interpretations that could be adopted and which could give rise to different conclusions regarding residency. In determining tax residence, the Group has applied the following interpretations:

Australian Tax Residency

Current legislation and judicial precent has been applied, including having regard to the Tax Commissioner's public guidance.

Foreign Tax Residency

Where appropriate, independent tax advisors have been engaged to assist in the determination of tax residence to ensure applicable foreign tax legislation has been complied with.

Name of entity	Type of entity	Trustee, partner or participant in joint venture	% of share capital held	Country of incorporation	Australian resident or foreign resident (for tax purposes)	Foreign tax jurisdiction
Otto Energy Limited	Body corporate	n/a	n/a	Australia	Australian	Australia
Otto Energy (Galoc Investment 1) Aps	Body corporate	n/a	100%	Denmark	Foreign	Denmark
Otto Energy (Galoc Investment 2) Aps	Body corporate	n/a	100%	Denmark	Foreign	Denmark
GPC Investments SA	Body corporate	n/a	100%	Switzerland	Foreign	Switzerland
Borealis Petroleum Pty Ltd	Body corporate	n/a	100%	Australia	Australian	Australia
Otto Energy Resources Corporation (Delaware)	Body corporate	n/a	100%	USA	Foreign	USA
Otto Energy (USA) Inc	Body corporate	Participant in joint venture	100%	USA	Foreign	USA
Otto Energy (Louisiana) LLC	Body corporate	Participant in joint venture	100%	USA	Foreign	USA
Otto Energy (Gulf One) LLC	Body corporate	Participant in joint venture	100%	USA	Foreign	USA
Otto Energy (Gulf Two) LLC	Body corporate	Participant in joint venture	100%	USA	Foreign	USA
Otto Operating LLC	Body corporate	n/a	100%	USA	Foreign	USA

DIRECTORS' DECLARATION

For the year ended 30 June 2024

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

1. In the opinion of the Directors:
    a. the financial statements, notes and the additional disclosures included in the audited 2024 Remuneration Report, comply with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and other mandatory professional reporting requirements;
    b. the financial statements and notes give a true and fair of the financial position of the Group as at 30 June 2024 and of its performance for the year ended on that date;
    c. the financial statements and notes comply with International Financial Reporting Standards as disclosed in the 'Basis of Preparation' section within the notes to the 2024 Financial Report;
    d. the consolidated entity disclosure statement is true and correct; and
    e. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the year ended 30 June 2024.

On behalf of the Board

Mr Geoff Page
Interim Chairman
13 September 2024

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INDEPENDENT AUDITOR'S REPORT

To the members of Otto Energy Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Otto Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2024 and of its financial performance for the year ended on that date; and

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

Basis for opinion

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

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

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

Key audit matters

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

Impairment testing of oil & gas properties

Key audit matter	How the matter was addressed in our audit

The Group's carrying value of oil and gas properties as disclosed in note 13 represents a significant asset to the Group and is comprised of several Cash Generating Units ("CGUs"). The Australian Accounting Standards require the Group to assess whether there are any indicators that oil and gas properties may be impaired.
 	
The Group concluded there were impairment indicators identified during the year as disclosed within note 13 to the financial report. Accordingly, the Group was required to estimate the recoverable amounts of the CGUs in accordance with the Australian Accounting Standards from which an impairment was recognised as per note 13.
 	
The assessment of impairment is complex and contains a number of estimates and judgements. The key judgements and estimates used in the group's impairment assessment are disclosed in note 13 to the financial report. Accordingly, this matter was considered to be a key audit matter.
	Our work included but not limited to the following procedures:
	
	• Assessing the appropriateness of the Group's categorisation of Cash Generating Units ("CGUs") and the allocation of assets to the carrying value of CGUs based on our understanding of the Group's business and internal reporting;
	• Assessing management's valuation methodology applied in estimating the recoverable value;
	• Comparing reserve estimates from management's experts to determine whether the data has been correctly included in the impairment models. This included assessing the competency and objectivity of management's experts;
	• Reviewing the accuracy and integrity of management's value in use models;
	• Challenging key inputs used in the value in use calculation including but not limited to the following:
	  ○ Assessing the appropriateness of the discount rates applied;
	  ○ Evaluating management's oil and gas price assumptions against external market data; and
	  ○ Evaluating the reasonableness of forecasted operating and production costs against actuals and source documentation where possible;
	• Reviewing the Director's minutes and ASX announcements for evidence of consistency of information with management's assessment of the carrying value of respective CGUs; and
	• Assessing the adequacy of the related disclosures in note 13 to the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2024, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of:

a) the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and

b) the consolidated entity disclosure statement that is true and correct in accordance with the Corporations Act 2001, and

for such internal control as the directors determine is necessary to enable the preparation of:

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

ii) the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Report

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

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

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 28 of the directors' report for the year ended 30 June 2024.

In our opinion, the Remuneration Report of Otto Energy Limited, for the year ended 30 June 2024, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit Pty Ltd

BDO

Phillip Murdoch

Director

Perth, 13 September 2024

ADDITIONAL ASX INFORMATION

As at 30 August 2024

Distribution of shareholdings

Range	Number of holders	Number of shares
1 – 1,000	172	24,521
1,001 – 5,000	190	578,910
5,001 – 10,000	361	3,000,125
10,001 – 100,000	1,515	65,847,184
100,001 and over	1,065	4,725,559,033
Total	3,303	4,795,009,773

Shareholders by location

	Number of holders	Number of shares
Australian holders	3,106	4,435,444,753
Overseas holders	197	359,565,020
	3,303	4,795,009,773

Unmarketable parcels

There were 1,497 shareholders holding less than a marketable parcel of shares.

Twenty largest shareholders

	Name	Ordinary shares	
		Number of shares	%
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,317,866,444	48.34
2	BNP PARIBAS NOMS PTY LTD	258,321,434	5.39
3	CITICORP NOMINEES PTY LIMITED	199,768,203	4.17
4	MONEX BOOM SECURITIES (HK) LTD	178,469,847	3.72
5	BNP PARIBAS NOMINEES PTY LTD	117,007,883	2.44
6	MR KENNETH JOSEPH HALL	86,000,000	1.79
7	MONEX BOOM SECURITIES (HK) LTD	84,213,336	1.76
8	BNP PARIBAS NOMINEES PTY LTD	83,000,057	1.73
9	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	53,059,155	1.11
10	PALM BEACH NOMINEES PTY LIMITED	42,153,689	0.88
11	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	41,963,084	0.88
12	MS ANNA CZARNOCKA	31,500,000	0.66
13	MR DOUGAL JAMES FERGUSON	29,340,000	0.61
14	GRAHAM NEWMAN PTY LTD	27,000,000	0.56
15	MR ANASTASIOS MAZIS	27,000,000	0.56
16	MR NEIL DAVID OLOFSSON & MRS BELINDA OLOFSSON	25,050,000	0.52
17	SHENTON JAMES PTY LTD	23,000,000	0.48
18	TROPICAL INVESTMENTS WA PTY LTD	22,555,555	0.47
19	MR DANIEL LEE	18,211,778	0.38
20	DANIEL LEE PTY LTD	17,771,431	0.37
		3,698,907,172	77.14

ADDITIONAL ASX INFORMATION

As at 30 August 2024

Substantial shareholders

Name	Ordinary shares	
	Number of shares	%
Molton Holdings Limited	2,305,859,697	48.09%

Unquoted securities

There are no unlisted securities of the Company. All performance rights expired during the year ended 30 June 2024.

Voting rights

Ordinary shares
In accordance with the Company's Constitution, on a show of hands every shareholder present in person or by proxy, attorney or representative of a shareholder has one vote and on a poll every shareholder present in person or by proxy, attorney or representative of a shareholder has in respect of fully paid shares, one vote for every share held.

Options
There were 30,000,000 options on issue as at 30 June 2024 held by one party.

Corporate governance

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