

Otis Energy Limited

ABN 93 075 419 715

Annual Report - 30 June 2014

Otis Energy Limited

Contents

30 June 2014

Contents

Corporate directory	1
Chairman's Letter	2
Managing Director's Review of Operations	3
Directors' report	4
Auditor's independence declaration	12
Corporate Governance Statement	13
Statement of profit or loss and other comprehensive income	17
Statement of financial position	18
Statement of changes in equity	19
Statement of cash flows	20
Notes to the financial statements	21
Directors' declaration	44
Independent auditor's report to the members of Otis Energy Limited	45
Shareholder information	47

Otis Energy Limited
Corporate directory
30 June 2014

Directors	Harry Hill (Non-Executive Chairman) Barnaby Egerton-Warburton (Managing Director) Winton Willesee (Non-Executive Director)
Company secretary	Winton Willesee
Registered office	Suite 25 145 Stirling Highway Nedlands WA 6009 (08) 9389 3140
Principal place of business	Suite 25 145 Stirling Highway Nedlands WA 6009
Share register	Link Market Services Level 12 680 George Street Sydney NSW 2000
Auditor	Hayes Knight Audit Pty Ltd Level 12 31 Queen Street Melbourne VIC 3000
Bankers	National Australia Bank 1232 Hay Street West Perth WA 6005
Stock exchange listing	Otis Energy Limited shares are listed on the Australian Securities Exchange (ASX code: OTE) (ASX code: OTEO) - options
Website	www.otisenergy.com

Otis Energy Limited
Chairman's Letter
30 June 2014

Chairman's Letter

This has been a year full of challenges. Although we as a Board were disappointed at discontinuing the pursuit of the interest in the Yemen Block 7, we were pleased at the positive sale of the Otis interest in the Catahoula Lake project at a favourable price of U.S. \$1,350,000 and the successful capital raising in May of \$ 317,500.

In early 2013 the Board announced that Otis had entered into an arrangement to acquire an 8.5% working interest in Yemen Block 7 located approximately 400km west of the capital of Yemen. Completion of the acquisition was subject to approvals from the Joint Venture partners and the Yemen Government. That approval process took longer than anticipated and final approval was not imminent at the time when the Board reviewed this position in 2014 and decided not to continue with this acquisition.

During the year the opportunity arose for the Company to sell its 20% working interest in the Catahoula Lake project located in La Salle, Rapides and Grant Parishes, Louisiana and the Board decided that it was in the best interest of the Company to complete the transaction at a favourable sale price of US\$ 1,350,000.

The Company also successfully completed a capital raising of \$317,500 through a share placement to sophisticated and professional investors and we thank those investors for their support.

In addition the Directors undertook a review of all operating costs with a view to reducing as much as possible the Company's overheads. Whilst the Company does run on a low corporate overhead structure, the Board was cognisant of the need for Otis to improve its cash position in this difficult economic climate. It is pleasing therefore that at the 30 June 2014 Otis is in a relatively strong financial position with \$1,984,796 funds on hand.

I encourage you to read the Managing Director's report for more detail on the Company's operations and activities.

In what has been a difficult year I thank my fellow Directors and our corporate advisors for their efforts and contribution throughout the year. I also take the opportunity to thank our shareholders and investors for their patience and support.

As a Board we are committed to building shareholder wealth in the Company as we continue to evaluate projects for their potential and consideration of various alternatives to maximise shareholder value.

Yours Sincerely



Harry Hill
Non-Executive Chairman
Otis Energy Limited

Managing Directors Report

The year was characterised by transition. Having started with a focus on a move to Yemen and a broadening of the oil and gas asset base, developments in those markets throughout the year and increasing opportunities elsewhere for the Company drove the Board to reassess its strategy and ultimately elect not to pursue the Yemen transaction, to scale down its oil and gas activities and, following the end of the year, to agree terms for the acquisition of the exciting technology company iSignthis.

During the year Otis divested all but two of its US oil and gas assets. The Company currently retains two producing wells at its Comanche Project and one producing well at its Avalanche project. Catahoula Lake, Charro, Sombrero and all other US assets of the Company have either been divested or relinquished during the year. The agreement to acquire an 8.5% interest in Petroleum Block 7 in the Republic of Yemen from Mitsui was terminated by both parties in May of this year upon expiration of the long stop date encompassed by that agreement. On termination Otis Energy exited its plan to enter Yemen and other Middle Eastern projects. The pull back in oil and gas investment was in an effort to conserve capital until either a suitable energy asset could be identified or a project or business outside of the energy sector could be found.

Subsequent to the end of the financial year Otis entered into an agreement to acquire iSignthis Ltd, an evidence of identity technology provider. iSignthis provides a compelling technology that allows a digital process of “Know Your Client” and “Anti Money Laundering”. In simple terms the iSignthis technology which is patent protected, allows the on boarding and identify of a customer or consumer from a remote location via the internet and thus removing the ability for many people and groups to commit fraud. The iSignthis technology could very well revolutionise the way new customers are on boarded with any online businesses. With the acquisition of iSignthis Otis will sell its remaining US assets and transform itself into a technology company that operates in one of the most relevant online sectors, digital identity.

Otis Energy Limited
Directors' report
30 June 2014

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Otis Energy Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2014.

Directors

The following persons were directors of Otis Energy Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr Harry Hill (Non-Executive Chairman)
Mr Barnaby Egerton-Warburton (Managing Director)
Mr Winton Willesee (Non-Executive Director and Company Secretary)

Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of:

- oil and gas exploration and development

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$2,562,403 (30 June 2013: \$2,969,915).

Refer to the detailed review of operations preceding this report for further information on the company's activities.

Financial position

The net assets of the consolidated entity decreased by \$2,314,289 to \$1,922,008 as at 30 June 2014 (2013 : \$4,236,297).

The consolidated entity's working capital, being current assets less current liabilities was \$1,924,103 at 30 June 2014 (2013: \$285,293). During the period the consolidated entity had a positive net cash flow of \$1,501,358 compared to 2013 which had a negative cash flow of \$1,552,024.

Significant changes in the state of affairs

During the June 2014 quarter, Mitsui E&P Middle East B.V. and Otis agreed to terminate the agreement covering the acquisition of an 8.5% interest in Block 7 Yemen. Otis is no longer pursuing a MENA strategy. Following this decision the company received a refund of the deposit held while the application was pending.

The company also sold its interest in the Catahoula Lake Project, a producing asset, for a total of USD\$1.35 million.

During May 2014 the Company completed a placement of 317,500,000 shares to raise \$317,500 for working capital purposes under the Company's 15% and 10% capacities under Listing Rules 7.1 and 7.1A.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

On the 4 September 2014 the consolidated entity announced that it had executed a binding term sheet to acquire 100% of online identification and payment authentication provider, iSignthis BV ("iSignthis").

As consideration for the acquisition of 100% of the issued capital in iSignthis, Otis will issue 44,750,000 Otis shares (on a post consolidation basis) to the shareholders of iSignthis.

Otis Energy Limited
Directors' report
30 June 2014

In addition, Otis will also issue up to 50,500,000 performance shares (on a post consolidation basis) based on achievement of the following milestones within three (3) of completing the transaction:

- (i) 16,800,000 Class A Performance Shares – on achievement of annual revenue of at least \$5,000,000. Annual revenue will be calculated on annualised basis over a 6 month reporting period. Class A Performance Shares will expire if unconverted within three (3) years of completing the transaction;
- (ii) 16,800,000 Class B Performance Shares – on achievement of annual revenue of at least \$7,500,000. Annual revenue will be calculated on annualised basis over a 6 month reporting period. Class B Performance Shares will expire if unconverted within three (3) years of completing the transaction; and
- (iii) 16,900,000 Class C Performance Shares – on achievement of annual revenue of at least \$10,000,000. Annual revenue will be calculated on annualised basis over a 6 month reporting period. Class C Performance Shares will expire if unconverted within three (3) years of completing the transaction.

The transaction is subject to all necessary regulatory approvals and shareholder approvals under the ASX Listing Rules, Corporations Act 2001 (Cth) (Corporations Act) and any other law to allow lawful completion of the acquisition of IST.

The transaction will include a re-compliance with Chapters 1 & 2 of the ASX Listing Rules, Otis completing a consolidation of its securities on a basis of 66.67:1, completion of a post consolidation capital raising, pursuant to a prospectus, to raise approximately \$2,400,000 by way of a pro-rata priority offer to existing shareholders on the basis of one (1) new share for every two (2) shares held, with the options (subject to mutual agreement between Otis and iSignthis) of raising up to a further \$500,000 pursuant to an additional general offer. Otis has executed a mandate for Cygnet Capital Pty Ltd to fully underwrite the priority offer.

Other key terms of the transaction include the payment by Otis to iSignthis, of a non refundable Inducement Fee of \$50,000, provision, by Otis to iSignthis, of a drawdown facility of up to \$300,000 to be immediately available upon execution of a binding term sheet. Execution of a binding share sale, intellectual property assignment and licence agreements between Otis and the shareholders of iSignthis and the sale of the remaining oil and gas assets of Otis.

No other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

The likely developments for the Company are the completion of the aforementioned iSignthis acquisition and a post-consolidation re-quotations of its securities on ASX.

Environmental regulation

The consolidated entity holds participating interests in petroleum exploration interest. The various authorities granting such interests require the permit holder to comply with the terms of the grant of the permit and all directions given to it under those terms of the permit. There have been no known breaches of the permit conditions, and no such breaches have been notified by any government agencies during the year ended 30 June 2014.

Information on directors

Name:	Mr Harry Hill
Title:	Non-Executive Chairman
Qualifications:	CPA, FCIS
Experience and expertise:	Harry is a Certified Practising Accountant and Fellow of the Chartered Institute of Secretaries. He has over 35 years experience as a Director and Company Secretary of several publicly listed companies involved in oil and gas exploration, mining and mineral exploration.
Other current directorships:	Nil
Former directorships (last 3 years):	Cove Resources Limited (resigned 9 January 2012)
Special responsibilities:	Nil
Interests in shares:	Nil
Interests in options:	2,000,000 unlisted 5c options expiring 31 December 2015

Otis Energy Limited
Directors' report
30 June 2014

Name: Mr Barnaby Egerton-Warburton
Title: Managing Director
Qualifications: B. Ec. GAICD
Experience and expertise: Barnaby has over 20 years of trading, investment banking, international investment and market experience. He has held positions with investment banks in Perth, Sydney, New York and Hong Kong including JP Morgan, BNP Equities (New York) and Prudential Securities (New York).
Other current directorships: Green Rock Energy Limited (appointed 15 March 2013), Internet Resources Limited (appointed 17 January 2013)
Former directorships (last 3 years): Nil
Special responsibilities: Nil
Interests in shares: 26,955,562 fully paid ordinary shares
Interests in options: 24,465,464 unlisted 5 cent options expiring 31 December 2015

Name: Mr Winton Willesee
Title: Non-Executive Director and Company Secretary
Qualifications: BBus., DipEd., PGDipBus., MCom., FFin, CPA, MAICD, ACIS/ACSA
Experience and expertise: Mr Willesee is an experienced company director and company secretary. Mr Willesee brings a broad range of skills and experience in strategy, company development, corporate governance, company public listings, merger and acquisition transactions and corporate finance. Mr Willesee holds a Master of Commerce, Post-Graduate Diploma in Business (Economics and Finance), a Graduate Diploma in Applied Corporate Governance, a Graduate Diploma in Applied Finance and Investment, a Graduate Diploma in Education and a Bachelor of Business. He is a Fellow of the Financial Services Institute of Australasia, a Member of the Australian Institute of Company Directors a Member of CPA Australia and a Chartered Secretary.
Other current directorships: Chairman of Birimian Gold Limited (appointed 31 January 2013), Coretrack Limited (appointed 4 October 2010), Cove Resources Limited (appointed 4 June 2008) and Metallum Limited (appointed 14 March 2011)
Former directorships (last 3 years): Bioprospect Limited (retired 15 September 2013), Base Resources Limited (retired 26 November 2013), Torrens Energy Limited (retired 2 May 2014) and Newera Resources Limited (resigned 31 July 2014).
Special responsibilities: Nil
Interests in shares: 9,750,000 fully paid ordinary shares
Interests in options: 12,312,500 unlisted 5 cent options expiring 31 December 2015

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2014, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Mr Harry Hill	8	8
Mr Barnaby Egerton-Warburton	8	8
Mr Winton Willesee	8	8

Held: represents the number of meetings held during the time the director held office.

Remuneration report (audited)

The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the consolidated entity and the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Otis Energy Limited
Directors' report
30 June 2014

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

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's and company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms with the market best practice for delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency
- capital management

Non-executive directors' remuneration

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. Retirement payments, if any, are agreed to be determined in accordance with the rules set out in the Corporations Act 2001 at the time of the Director's retirement or termination. Non-executive directors' remuneration may include an incentive portion consisting of bonuses and/or options, as considered appropriate by the Board, which are subject to shareholder approval in accordance with the ASX Listing Rules.

Executive Remuneration

The executive remuneration and reward framework has three components:

- base pay and non-monetary benefits
- share based payments
- other remuneration such as superannuation and long service leave

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the full board, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Voting and comments made at the company's 2013 Annual General Meeting ('AGM')

The company received 94.16% of 'for' votes in relation to its remuneration report for the year ended 30 June 2013. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

Details of the remuneration of the key management personnel of the consolidated entity are set out in the following tables.

Otis Energy Limited
Directors' report
30 June 2014

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	
2014	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Harry Hill	54,000	-	-	-	-	-	54,000
Winton Willesee*	35,700	-	-	-	-	-	35,700
<i>Executive Directors:</i>							
Barnaby Egerton-Warburton	190,144	-	-	19,218	-	-	209,362
	<u>279,844</u>	<u>-</u>	<u>-</u>	<u>19,218</u>	<u>-</u>	<u>-</u>	<u>299,062</u>

* Payments exclude amounts paid for Company Secretarial services provided which amounted to \$52,800 for the year. An additional amount of \$12,000 was paid to a company associated with Mr Winton Willesee for providing office services.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	
2013	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Harry Hill	60,000	-	-	-	-	-	60,000
Winton Willesee*	39,600	-	-	-	-	-	39,600
<i>Executive Directors:</i>							
Barnaby Egerton-Warburton**	215,596	-	-	19,404	-	-	235,000
	<u>315,196</u>	<u>-</u>	<u>-</u>	<u>19,404</u>	<u>-</u>	<u>-</u>	<u>334,600</u>

* Payments exclude amounts paid for Company Secretarial services provided which amounted to \$52,800 for the year. An additional amount of \$12,000 was paid to a company associated with Mr Winton Willesee for providing office services.

** During the year, the company closed down its Sydney office and Mr Barnaby Egerton-Warburton was required to relocate from Sydney to Perth in order to fulfil his duties as an officer of Otis Energy Limited. The company provided an allowance of \$12,000 towards his relocation expenses.

Otis Energy Limited
Directors' report
30 June 2014

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration	
	2014	2013
<i>Non-Executive Directors:</i>		
Harry Hill	100%	100%
Winton Willesee	100%	100%
<i>Executive Directors:</i>		
Barnaby Egerton-Warburton	100%	100%

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Barnaby Egerton-Warburton
Title:	Managing Director
Details:	Mr Egerton-Warburton's remuneration is \$10,000 per month including superannuation. There are no termination payments payable in the event Mr Egerton Warburton ceases employment with the Company.

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2014.

Options

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2014.

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2014.

Additional information

The earnings of the consolidated entity for the five years to 30 June 2014 are summarised below:

	2010	2011	2012	2013	2014
	\$	\$	\$	\$	\$
Revenue	478,474	218,837	374,740	799,549	599,611
Net profit/(loss) before tax	(2,547,867)	(2,955,951)	(3,000,192)	(2,969,915)	(2,562,403)
Net profit/(loss) after tax	(2,547,867)	(2,955,951)	(3,000,192)	(2,969,915)	(2,562,403)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2010	2011	2012	2013	2014
Basic earnings per share (cents per share)	(0.10)	(0.98)	(0.46)	(0.26)	(0.19)

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Winton Willesee	9,750,000	-	-	-	9,750,000
Barnaby Egerton-Warburton	16,955,562	-	10,000,000	-	26,955,562
	<u>26,705,562</u>	<u>-</u>	<u>10,000,000</u>	<u>-</u>	<u>36,705,562</u>

Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Lapsed	Balance at the end of the year
<i>Options over ordinary shares</i>					
Harry Hill	2,000,000	-	-	-	2,000,000
Winton Willesee*	13,312,500	-	-	(1,000,000)	12,312,500
Barnaby Egerton-Warburton**	30,465,464	-	-	(6,000,000)	24,465,464
	<u>45,777,964</u>	<u>-</u>	<u>-</u>	<u>(7,000,000)</u>	<u>38,777,964</u>

* 1,000,000 options lapsed on 31 December 2013.

** 6,000,000 options lapsed on 31 December 2013.

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Otis Energy Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
February 2011 to June 2011	31 December 2015	\$0.050	186,049,962
1 March 2013	1 March 2016	\$0.005	10,000,000
			<u>196,049,962</u>

On 1 March 2013, 10,000,000 unlisted options with an exercise price of \$0.005 and an expiry date of 1 March 2016 were issued to US based contractors as part consideration for consulting services.

On 31 December 2013, 26,500,001 unlisted options with an exercise price of \$0.10 expired, also expiring on 31 December 2013, 6,800,000 unlisted options with an exercise price of \$0.15 expired.

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options

There were no ordinary shares of Otis Energy Limited issued on the exercise of options during the year ended 30 June 2014 and up to the date of this report.

Indemnity and insurance of officers

The company has indemnified the directors of the company for costs incurred, in their capacity as a director, for which they may be held personally liable, except where there is a lack of good faith.

Otis Energy Limited
Directors' report
30 June 2014

During the financial year, the company paid a premium in respect of a contract to insure the directors of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the 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.

Non-audit services

There were no non-audit services provided during the financial year by the auditor.

Officers of the company who are former audit partners of Hayes Knight Audit Pty Ltd

There are no officers of the company who are former audit partners of Hayes Knight Audit Pty Ltd.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Auditor

Hayes Knight Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Mr Winton Willesee
Director

25 September 2014
Perth



Hayes Knight Audit
chartered accountants · your partners in success

Hayes Knight Audit Pty Ltd
ABN: 86 005 105 975

Level 12, 31 Queen St,
Melbourne, VIC 3000

T: 03 8613 8888 F: 03 8613 8800

Email: info@hayesknightaudit.com.au

www.hayesknight.com.au

Registered Audit Company 291969

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001 TO THE DIRECTORS OF OTIS ENERGY LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

Hayes Knight Audit

Hayes Knight Audit Pty Ltd

Melbourne

Richard Cen

Director

Dated this

25

day of

September

2014

Otis Energy Limited
Corporate Governance Statement

The Board of Directors ('the Board') of Otis Energy Limited (the 'Company') is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The table below summarises the Company's compliance with the ASX Corporate Governance Council's Revised Principles and Recommendations.

Principles and Recommendations		Compliance
Principle 1 – Lay solid foundations for management and oversight		
1.1	Companies should establish the functions reserved for the Board and those delegated to manage and disclose those functions.	Complies. The Board has adopted a Board Charter that formalises its roles and responsibilities and defines the matters that are reserved for the Board and specific matters that are delegated to management.
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Complies. The Board meets annually to review the performance of executives. The senior executives' performance is assessed against performance of the Company as a whole.
1.3	Provide the information indicated in <i>Guide to reporting on Principle 1</i> .	Complies. A copy of the Board Charter is available at www.otisenergy.com . The performance evaluation process and delegations of authority policy is included in the Board Charter. A performance evaluation of senior management was conducted during the year in accordance with the process outlined in the Board Charter.
Principle 2 – Structure the Board to add value		
2.1	A majority of the Board should be independent directors.	Complies. Both Mr Harry Hill and Mr Winton Willesee are independent non-executive directors of the Company.
2.2	The chair should be an independent director.	Complies. Mr Harry Hill is the Chairman and is independent.
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Complies. Mr Harry Hill is the Chairman and Mr Barnaby Egerton-Warburton is the chief executive officer.
2.4	The Board should establish a nomination committee.	Does not comply. Given the size and scale of Otis Energy Limited, the role of a nomination committee is carried out by the full Board. The full Board considers the appointment of new Directors on an informal basis. The Board's policy for the appointment of new directors to the Board is included in the Board Charter which is available at www.otisenergy.com .
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	Complies. The full Board assumes responsibility for the ongoing evaluation of the performance of the Board individual directors and, where applicable, its committees.
2.6	Provide the information indicated in the <i>Guide to reporting on Principle 2</i> .	Complies. This information has been disclosed (where applicable) in the directors' report attached to this Corporate Governance Statement. A director is considered independent when he satisfies the test for independence as set out in the ASX Corporate Governance Recommendations.

Principles and Recommendations	Compliance
	<p>Members of the Board are able to take independent professional advice at the expense of the Company.</p> <p>Mr Barnaby Egerton-Warburton, Executive Director, was appointed to the Board in April 2009.</p> <p>Mr Winton Willesee, Non-Executive Director, was appointed to the Board in January 2008.</p> <p>Mr Harry Hill, Chairman, was appointed to the Board in June 2008.</p> <p>The Board has undertaken a review of the mix of skills and experience on the Board in light of the Company's principal activities and direction, and has considered diversity in succession planning. The Board considers the current mix of skills and experience of members of the Board and its senior management is sufficient to meet the requirements of the Company.</p>

Principle 3 – Promote ethical and responsible decision making

3.1	Companies should establish a code of conduct and disclose the code or a summary of the code.	<p>Complies. The Board has adopted a code of conduct. The code establishes a clear set of values that emphasise a culture encompassing strong corporate governance, sound business practices and good ethical conduct.</p> <p>The code of conduct is contained within the Board Charter which is available on the Company's website.</p>
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.	Does not comply. The Board has committed the Company to review and prepare a Diversity Policy that considers the benefits of diversity, ways to promote a culture of diversity, factors to be taken into account in the selection process of candidates for Board and senior management positions in the company, education programs to develop skills and experience in preparation for Board and senior management positions, processes to include review and appointment of directors, and identify key measurable diversity performance objectives for the Board, CEO and senior management.
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	Does not comply. Upon completion and acceptance of a Diversity Policy, the Board will be in a position to disclose the measurable objectives for achieving gender diversity and progress towards achieving those objectives.
3.4	Companies should disclose in each annual report the proportion of women employees in the whole of the organisation, women in senior executive positions and women on the Board.	Complies. The Company does not currently have any female employees.
3.5	Companies should provide the information indicated in <i>Guide to reporting on Principle 3</i> .	Does not comply. Upon completion and acceptance of a Diversity Policy the Company will make it available on its website.

Principle 4 – Safeguard integrity in financial reporting

4.1	The Board should establish an audit	Does not comply. Given the size and scale of the Company, the Board has not established a separate audit and risk
-----	-------------------------------------	---

Otis Energy Limited
Corporate Governance Statement

Principles and Recommendations		Compliance
	committee.	committee. The functions of an audit committee are performed by the full Board.
4.2	The audit committee should be structured so that it consists of only non-executive directors, a majority of independent directors, is chaired by an independent chair who is not chair of the Board and have at least 3 members.	Refer to comments above under 4.1.
4.3	The audit committee should have a formal charter.	Refer to comments above under 4.1.
4.4	Provide the information indicated in <i>Guide to reporting on Principle 4</i> .	Refer to comments above under 4.1.
Principle 5 – Make timely and balanced disclosure		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Complies. The Company has adopted a Continuous Disclosure Policy to ensure that it complies with the continuous disclosure regime under the ASX Listing Rules and the Corporations Act 2001.
5.2	Provide the information indicated in the <i>Guide to reporting on Principle 5</i> .	Complies. The Company's continuous disclosure policy is available at www.otisenergy.com .
Principle 6 – Respect the rights of shareholders		
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy.	Complies. The Company uses its website, annual reports, market announcements, media disclosures and webcasting to communicate with its shareholders, as well as encourages participation at general meetings.
6.2	Provide the information indicated in the <i>Guide to reporting on Principle 6</i> .	Complies. The Company's shareholder communications policy is addressed in the Disclosure Policy which is available at www.otisenergy.com .
Principle 7 – Recognise and manage risk		
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of these policies.	Complies. The Company has adopted a risk management statement within the Board Charter. The Managing Director is responsible for managing risk, reporting risks to the Board and determining strategies to mitigate risks. Ultimate responsibility for risk oversight and risk management rests with the Board.
7.2	The review of risk is an ongoing process and considered at each Board meeting, the Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it	Whilst management has not formally reported to the Board as to the effectiveness of the Company's management of its material business risks, the Board believes the risk management and internal control systems designed and implemented by management and the full Board are adequate given the size and nature of the Company's activities. The Company intends to develop the risk reporting framework into a detailed policy as its operations continue to grow.

Otis Energy Limited
Corporate Governance Statement

Principles and Recommendations		Compliance
	as to the effectiveness of the company's management of its material business risks.	
7.3	The Board should disclose whether it has received assurance from the chief executive officer and chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.	Complies. The Board has received a statement from the directors fulfilling the roles of the chief executive officer and chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.
7.4	Provide the information indicated in <i>Guide to reporting on Principle 7</i> .	Complies. The Company's policies on risk oversight and management of material business risk are addressed in the Board Charter which is available on the Company's website.
Principle 8 – Remunerate fairly and responsibly		
8.1	The Board has established a remuneration committee.	The Board consider that given the current size of the board, this function is efficiently achieved with full board participation. Accordingly, the Board has not established a separate Remuneration Committee and has not adopted a remuneration charter.
8.2	The remuneration committee is structured so that it consists of a majority of independent directors, is chaired by an independent chair and has at least three members.	Refer to comments above at 8.1. The full Board consists of three members, the majority of which are independent non-executive directors. The chairman of the Board is independent.
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Complies. This information has been disclosed in the directors' report attached to this Corporate Governance Statement.
8.3	Provide the information indicated in <i>the Guide to reporting on Principle 8</i> .	Complies. The information has been disclosed in the directors' report. The Board's Share Trading Policy and Security Trading Policy are available at www.otisenergy.com.au .

Otis Energy Limited's corporate governance practices were in place for the financial year ended 30 June 2014 and to the date of signing the directors' report. The Board has also undertaken to conduct a full review of its corporate governance policies with the view to adopting revised versions during the new financial year.

Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by Otis Energy Limited, refer to our website: www.otisenergy.com

Otis Energy Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2014

	Note	Consolidated	
		2014	2013
		\$	\$
Revenue	5	599,611	799,549
Other income	5	-	36,750
Expenses			
Depreciation of oil producing assets	6	(94,199)	(166,265)
Employee benefits expense		(337,413)	(324,952)
Depreciation and amortisation expense	6	(2,147)	(2,532)
Impairment expense	6	(2,175,307)	(2,695,407)
Loss on revaluation of held for sale investments		(6,282)	(9,267)
Consultancy and management expenses		(91,972)	(88,083)
Share based payments		-	(24,800)
Other expenses		(454,694)	(494,908)
Loss before income tax expense		(2,562,403)	(2,969,915)
Income tax expense	7	-	-
Loss after income tax expense for the year attributable to the owners of Otis Energy Limited		(2,562,403)	(2,969,915)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(65,308)	574,831
Other comprehensive income for the year, net of tax		(65,308)	574,831
Total comprehensive income for the year attributable to the owners of Otis Energy Limited		(2,627,711)	(2,395,084)
		Cents	Cents
Basic earnings per share	29	(0.19)	(0.26)
Diluted earnings per share	29	(0.19)	(0.26)

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

Otis Energy Limited
Statement of financial position
As at 30 June 2014

	Note	Consolidated 2014 \$	2013 \$
Assets			
Current assets			
Cash and cash equivalents	8	1,984,796	433,689
Trade and other receivables	9	22,796	12,657
Other current assets	10	15,163	68,159
Current assets classified as held for sale	11	75,000	-
Total current assets		<u>2,097,755</u>	<u>514,505</u>
Non-current assets			
Property, plant and equipment	12	1,326	1,633,817
Petroleum exploration and evaluation	13	-	2,323,723
Total non-current assets		<u>1,326</u>	<u>3,957,540</u>
Total assets		<u>2,099,081</u>	<u>4,472,045</u>
Liabilities			
Current liabilities			
Trade and other payables	14	157,498	210,231
Employee benefits	15	16,154	18,981
Total current liabilities		<u>173,652</u>	<u>229,212</u>
Non-current liabilities			
Employee benefits	16	3,421	6,536
Total non-current liabilities		<u>3,421</u>	<u>6,536</u>
Total liabilities		<u>177,073</u>	<u>235,748</u>
Net assets		<u>1,922,008</u>	<u>4,236,297</u>
Equity			
Issued capital	17	81,227,362	80,913,940
Reserves	18	944,366	1,288,474
Accumulated losses		<u>(80,249,720)</u>	<u>(77,966,117)</u>
Total equity		<u>1,922,008</u>	<u>4,236,297</u>

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

Otis Energy Limited
Statement of changes in equity
For the year ended 30 June 2014

Consolidated	Contributed equity \$	Option Reserves \$	Retained profits \$	Foreign Currency Reserve \$	Total equity \$
Balance at 1 July 2012	80,666,081	1,523,907	(75,353,309)	(477,957)	6,358,722
Loss after income tax expense for the year	-	-	(2,969,915)	-	(2,969,915)
Other comprehensive income for the year, net of tax	-	-	-	574,831	574,831
Total comprehensive income for the year	-	-	(2,969,915)	574,831	(2,395,084)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 17)	247,859	-	-	-	247,859
Share-based payments (note 30)	-	24,800	-	-	24,800
Lapse of options	-	(357,107)	357,107	-	-
Balance at 30 June 2013	<u>80,913,940</u>	<u>1,191,600</u>	<u>(77,966,117)</u>	<u>96,874</u>	<u>4,236,297</u>
Consolidated	Contributed equity \$	Option Reserves \$	Retained profits \$	Foreign Currency Reserve \$	Total equity \$
Balance at 1 July 2013	80,913,940	1,191,600	(77,966,117)	96,874	4,236,297
Loss after income tax expense for the year	-	-	(2,562,403)	-	(2,562,403)
Other comprehensive income for the year, net of tax	-	-	-	(65,308)	(65,308)
Total comprehensive income for the year	-	-	(2,562,403)	(65,308)	(2,627,711)
<i>Transactions with owners in their capacity as owners:</i>					
Lapse of options	-	(278,800)	278,800	-	-
Contributions of equity, net of transaction costs (note 17)	313,422	-	-	-	313,422
Balance at 30 June 2014	<u>81,227,362</u>	<u>912,800</u>	<u>(80,249,720)</u>	<u>31,566</u>	<u>1,922,008</u>

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

Otis Energy Limited
Statement of cash flows
For the year ended 30 June 2014

	Note	Consolidated 2014 \$	2013 \$
Cash flows from operating activities			
Receipts from customers		551,918	738,295
Payments to suppliers and employees		(899,634)	(781,402)
Interest received		8,953	19,725
		<u> </u>	<u> </u>
Net cash used in operating activities	28	<u>(338,763)</u>	<u>(23,382)</u>
Cash flows from investing activities			
Payments in respect of oil producing asset		-	(999,275)
Payments for petroleum exploration		(267,022)	(903,966)
Proceeds from sale of equity investments		-	154,599
Proceeds from sale of producing oil assets		1,437,773	-
Proceeds from sale of exploration petroleum exploration assets		355,948	-
		<u> </u>	<u> </u>
Net cash from/(used in) investing activities		<u>1,526,699</u>	<u>(1,748,642)</u>
Cash flows from financing activities			
Proceeds from issue of shares	17	317,500	250,000
Capital raising costs	17	(4,078)	-
		<u> </u>	<u> </u>
Net cash from financing activities		<u>313,422</u>	<u>250,000</u>
Net increase/(decrease) in cash and cash equivalents		1,501,358	(1,522,024)
Cash and cash equivalents at the beginning of the financial year		433,689	1,958,299
Effects of exchange rate changes on cash and cash equivalents		49,749	(2,586)
		<u> </u>	<u> </u>
Cash and cash equivalents at the end of the financial year	8	<u><u>1,984,796</u></u>	<u><u>433,689</u></u>

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

Note 1. General information

The financial statements cover Otis Energy Limited as a consolidated entity consisting of Otis Energy Limited and its subsidiaries. The financial statements are presented in Australian dollars, which is Otis Energy Limited's functional and presentation currency.

Otis Energy Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 25
145 Stirling Highway
Nedlands WA

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 25 September 2014. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 10 Consolidated Financial Statements

The consolidated entity has applied AASB 10 from 1 January 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

AASB 11 Joint Arrangements

The consolidated entity has applied AASB 11 from 1 January 2013. The standard defines which entities qualify as joint arrangements and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets are accounted for using the equity method. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities, will account for its share of the assets, liabilities, revenues and expenses separately under the appropriate classifications.

AASB 12 Disclosure of Interests in Other Entities

The consolidated entity has applied AASB 12 from 1 January 2013. The standard contains the entire disclosure requirement associated with other entities, being subsidiaries, associates, joint arrangements (joint operations and joint ventures) and unconsolidated structured entities. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'.

Note 2. Significant accounting policies (continued)

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

The consolidated entity has applied AASB 13 and its consequential amendments from 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

The consolidated entity has applied AASB 119 and its consequential amendments from 1 January 2013. The standard eliminates the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement

The consolidated entity has applied 2011-4 from 1 July 2013, which amends AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No.1) now specify the KMP disclosure requirements to be included within the directors' report.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

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

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 25.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Otis Energy Limited ('company' or 'parent entity') as at 30 June 2014 and the results of all subsidiaries for the year then ended. Otis Energy Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Note 2. Significant accounting policies (continued)

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Otis Energy Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars 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 financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Note 2. Significant accounting policies (continued)

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

The income tax expense or benefit for the period is the tax payable on that 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, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

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

Trade and other receivables

Other receivables are recognised at amortised cost, less any provision for impairment.

Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

Note 2. Significant accounting policies (continued)

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Oil and gas production assets	Over the life of reserves
Plant and equipment	2-4 years

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

Oil and gas production assets are depreciated over the life of the reserves, using the units of production as the rate of depreciation in each reporting period.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Exploration and evaluation assets

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Provision for restoration and rehabilitation

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of exploration activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of abandoning exploration sites and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date.

The initial estimate of the restoration and rehabilitation provision relating to exploration and milling facilities is capitalised into the cost of the related asset and amortised on the same basis as the related asset, unless the present obligation arises from the production of inventory in the period, in which case the amount is included in the cost of production for the period. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

Note 2. Significant accounting policies (continued)

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Note 2. Significant accounting policies (continued)

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital

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.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

Note 2. Significant accounting policies (continued)

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Otis Energy Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2014. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Note 2. Significant accounting policies (continued)

AASB 9 Financial Instruments and its consequential amendments

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2018 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

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

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

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

Otis Energy Limited
Notes to the financial statements
30 June 2014

Note 4. Operating segments

The consolidated entity is organised into one operating segment which consists of exploration for oil and gas overseas. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM') in assessing performance and in determining the allocation of resources.

The consolidated entity carried out a review of its production and exploration assets and this resulted in the company impairing a significant portion of these assets and re-classifying the remaining value from exploration assets to held for sale assets. Following these actions the company will only be operating in the one segment.

Note 5. Revenue

	Consolidated	
	2014	2013
	\$	\$
<i>Sales revenue</i>		
Oil and gas revenue	555,949	779,736
<i>Other revenue</i>		
Interest	5,185	19,813
Gain on sale of producing asset	38,477	-
	<u>43,662</u>	<u>19,813</u>
Revenue	<u>599,611</u>	<u>799,549</u>

On the 11 April 2014, the company announced the sale of its interest in the Catahoula Lake Project at an auction in Houston, Texas. The proceeds from the sale amounted to US\$1.35 million. Refer to note 13 for further details. The gain on sale of the project noted above follows previous impairments and amortization expenses booked in the company's financial statements in previous years.

Note 6. Expenses

	Consolidated	
	2014	2013
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Office equipment	(2,147)	(2,532)
Oil producing assets	(94,199)	(166,265)
Total depreciation	<u>(96,346)</u>	<u>(168,797)</u>
<i>Impairment</i>		
Exploration assets	<u>(2,175,307)</u>	<u>(2,695,407)</u>
<i>Superannuation expense</i>		
Defined contribution superannuation expense	<u>19,218</u>	<u>19,404</u>

Otis Energy Limited
Notes to the financial statements
30 June 2014

Note 7. Income tax expense

	Consolidated	
	2014	2013
	\$	\$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(2,562,403)	(2,969,915)
Tax at the statutory tax rate of 30%	(768,721)	(890,975)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	-	7,440
Costs in respect to foreign operations	23,607	6,265
	(745,114)	(877,270)
Exploration expenditure written-off/(incurred)	547,193	319,182
Accounting profit on sale of shares	-	(8,245)
Deductible black hole expenditure	(43,930)	(46,985)
Other timing differences	5,198	4,251
Income tax losses not taken up as a tax benefit	236,653	609,067
Income tax expense	-	-

	Consolidated	
	2014	2013
	\$	\$
<i>Deferred tax assets not recognised</i>		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Tax losses (Australia)	4,246,285	4,014,292
Temporary differences (Australia)	2,628,514	2,344,364
Tax losses (Foreign subsidiaries)	2,013,066	2,099,398
Temporary differences (Foreign subsidiaries)	176,158	(371,035)
Total deferred tax assets not recognised	9,064,023	8,087,019

The above potential tax benefit for deductible temporary differences, which excludes tax losses, has not been recognised in the financial statements as the recovery of the benefit is uncertain.

- i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- ii) the consolidated entity continues to comply with the conditions for deductibility imposed by law;
- iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses; and
- iv) the losses are transferred to an eligible entity in the consolidated group.

Note 8. Current assets - cash and cash equivalents

	Consolidated	
	2014	2013
	\$	\$
Cash at bank	984,796	433,689
Cash on deposit	1,000,000	-
	1,984,796	433,689

Otis Energy Limited
Notes to the financial statements
30 June 2014

Note 9. Current assets - trade and other receivables

	Consolidated	
	2014	2013
	\$	\$
Other receivables	4,031	667
Interest receivable	3,768	-
GST receivable	14,997	11,990
	<u>22,796</u>	<u>12,657</u>

The average credit period is 30 days. No receivables are impaired at year end. In determining the recoverability of a trade receivable, the company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

Note 10. Current assets - Other current assets

	Consolidated	
	2014	2013
	\$	\$
Prepayments	15,163	9,752
Accrued revenue	-	58,407
	<u>15,163</u>	<u>68,159</u>

Note 11. Current assets - Current assets classified as held for sale

	Consolidated	
	2014	2013
	\$	\$
Asset held for sale	75,000	-

Refer to note 13 for more information.

Note 12. Non-current assets - property, plant and equipment

	Consolidated	
	2014	2013
	\$	\$
Oil producing asset - cost	-	3,267,573
Less: Accumulated depreciation	-	(171,803)
Less: Impairments	-	(1,465,427)
	<u>-</u>	<u>1,630,343</u>
Plant and equipment - at cost	7,850	7,850
Less: Accumulated depreciation	(6,524)	(4,376)
	<u>1,326</u>	<u>3,474</u>
	<u>1,326</u>	<u>1,633,817</u>

Otis Energy Limited
Notes to the financial statements
30 June 2014

Note 12. Non-current assets - property, plant and equipment (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Oil Producing Assets \$	Plant and Equipment \$	Total \$
Balance at 1 July 2012	2,197,815	6,005	2,203,820
Additions	491,780	-	491,780
Exchange differences	245,320	-	245,320
Impairment of assets	(1,461,628)	-	(1,461,628)
Transfer from petroleum exploration and evaluation	323,321	-	323,321
Depreciation expense	(166,265)	(2,531)	(168,796)
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2013	1,630,343	3,474	1,633,817
Additions	288,896	-	288,896
Classified as held for sale (note 11)	(1,460,449)	-	(1,460,449)
Exchange differences	(292)	-	(292)
Impairment of assets	(364,299)	-	(364,299)
Depreciation expense	(94,199)	(2,148)	(96,347)
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2014	<u>-</u>	<u>1,326</u>	<u>1,326</u>

Impairment of oil and gas production assets

During the period the directors took the decision to test the market and seek interested parties for a sale of its interest in the oil and gas production asset at Catahoula Lake. On the 11 April the company successfully sold the Catahoula Lake Project at Auction.

Note 13. Non-current assets - petroleum exploration and evaluation

	Consolidated	
	2014	2013
	\$	\$
Petroleum exploration and evaluation	<u>-</u>	<u>2,323,723</u>

Otis Energy Limited
Notes to the financial statements
30 June 2014

Note 13. Non-current assets - petroleum exploration and evaluation (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Petroleum exploration & evaluation \$	Total \$
Balance at 1 July 2012	2,590,472	2,590,472
Additions	970,908	970,908
Exchange differences	331,935	331,935
Impairment of assets	(1,246,271)	(1,246,271)
Transfers in/(out)	(323,321)	(323,321)
Balance at 30 June 2013	2,323,723	2,323,723
Expenditure during the year	232,144	232,144
Classified as held for sale (note 11)	(364,189)	(364,189)
Oil and gas revenue	(75,510)	(75,510)
Refund of exploration deposit	(229,718)	(229,718)
Exchange differences	(442)	(442)
Impairment of assets	(1,811,008)	(1,811,008)
Transfer to held for sale asset	(75,000)	(75,000)
Balance at 30 June 2014	<u>-</u>	<u>-</u>

On December 2013 Otis Energy Limited announced that its acquisition of an 8.5% interest (10% paying) in the Yemen Block 7 exploration licence was approved by the Joint Venture partners but was subject to approval from the Yemen Minister of Minerals. During May 2014 the company announced that both parties agreed to end their agreement and therefore the deposit of \$229,718 was refunded.

The consolidated entity's interest in the Charro project was fully impaired at 31 December 2013, as a decision has been taken to discontinue operations.

The consolidated entity owns a 16.66% working interest in the Comanche project, consisting of over 10,000 acres, including three wells that have been drilled to date. During the period the Working Interest Partners entered into an agreement with a private oil and gas company for the sale of 9,878 acres of the Comanche Project, subject to due diligence by the purchaser. The partnership currently retains an area containing two of the wells drilled, although one of these wells has been shut-off.

During the financial year the company impaired the Comanche project in the amount of \$1,537,801 and re-classified the carrying value of \$75,000 as a current asset classified as held for sale.

Otis Energy Limited
Notes to the financial statements
30 June 2014

Note 14. Current liabilities - trade and other payables

	Consolidated	
	2014	2013
	\$	\$
Trade payables	72,460	92,533
Other payables	85,038	117,698
	<u>157,498</u>	<u>210,231</u>

Refer to note 19 for further information on financial instruments.

The average credit period on purchases is 30 days. No interest is charges on the trade payables. The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Note 15. Current liabilities - employee benefits

	Consolidated	
	2014	2013
	\$	\$
Provision for annual leave	16,154	18,981

Note 16. Non-current liabilities - employee benefits

	Consolidated	
	2014	2013
	\$	\$
Provision for long service leave	3,421	6,536

Note 17. Equity - issued capital

	Consolidated			
	2014	2013	2014	2013
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>1,597,064,508</u>	<u>1,279,564,508</u>	<u>81,227,362</u>	<u>80,913,940</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2012	1,154,564,508		80,666,081
Private placement	22 May 2013	125,000,000	\$0.002	250,000
Capital raising costs		-		(2,141)
Balance	30 June 2013	1,279,564,508		80,913,940
Private Placement	19 May 2014	307,500,000	\$0.001	307,500
Share Placements	26 May 2014	10,000,000	\$0.001	10,000
Capital Raising Costs		-		(4,078)
Balance	30 June 2014	<u>1,597,064,508</u>		<u>81,227,362</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

Otis Energy Limited
Notes to the financial statements
30 June 2014

Note 17. Equity - issued capital (continued)

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options

Refer to the Director's Report and Note 29 for further details on options.

Capital risk management

The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The consolidated entity is subject to certain financing arrangements covenants and meeting these are given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2013 Annual Report.

Note 18. Equity - reserves

	Consolidated	
	2014	2013
	\$	\$
Foreign currency reserve	31,566	96,874
Options reserve	912,800	1,191,600
	<u>944,366</u>	<u>1,288,474</u>

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Foreign currency \$	Options \$	Total \$
Balance at 1 July 2012	(477,957)	1,523,907	1,045,950
Foreign currency translation	574,831	-	574,831
Options issued - share-based payments	-	24,800	24,800
Expiry of options	-	(357,107)	(357,107)
	<u>96,874</u>	<u>1,191,600</u>	<u>1,288,474</u>
Balance at 30 June 2013	96,874	1,191,600	1,288,474
Foreign currency translation	(65,308)	-	(65,308)
Expiry of options	-	(278,800)	(278,800)
	<u>31,566</u>	<u>912,800</u>	<u>944,366</u>
Balance at 30 June 2014	31,566	912,800	944,366

Note 19. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity'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 consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Price risk

The consolidated entity is not exposed to any significant price risk.

Interest rate risk

As at the reporting date, the consolidated entity had the following variable rate borrowings and interest rate swap contracts outstanding:

	2014		2013	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Consolidated				
Cash and cash equivalents	2.25%	964,796	2.75%	433,689
Cash on deposit	3.55%	1,020,000	-%	-
Net exposure to cash flow interest rate risk		<u>1,984,796</u>		<u>433,689</u>

Below is a sensitivity analysis of interest rates 50 basis points (2013: 55) change on cash assets for the 2014 and 2013 financial years. The percentage change is based on the expected volatility of interest rates using market data and analysis forecasts.

Consolidated - 2014	Basis points change	Basis points increase		Basis points decrease	
		Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity
Cash at bank	50	4,824	4,824	(4,824)	(4,824)
Cash on deposit	100	10,200	10,200	(10,200)	(10,200)
		<u>15,024</u>	<u>15,024</u>	<u>(15,024)</u>	<u>(15,024)</u>

Note 19. Financial instruments (continued)

Consolidated - 2013	Basis points increase			Basis points decrease		
	Basis points change	Effect on profit before tax	Effect on equity	Basis points change	Effect on profit before tax	Effect on equity
Cash at bank	55	<u>2,385</u>	<u>2,385</u>	55	<u>(2,385)</u>	<u>(2,385)</u>

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2014	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
	%	\$	\$	\$	\$	\$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-%	157,498	-	-	-	157,498
Total non-derivatives		<u>157,498</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>157,498</u>

Consolidated - 2013	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
	%	\$	\$	\$	\$	\$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-%	210,231	-	-	-	210,231
Total non-derivatives		<u>210,231</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>210,231</u>

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Otis Energy Limited
Notes to the financial statements
30 June 2014

Note 20. Key management personnel disclosures

Directors

The following persons were directors of Otis Energy Limited during the financial year:

Harry Hill	Non-Executive Director
Winton Willesee	Non-Executive Director
Barnaby Egerton-Warburton	Managing Director

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2014	2013
	\$	\$
Short-term employee benefits	279,844	315,196
Post-employment benefits	19,218	19,404
	<u>299,062</u>	<u>334,600</u>

Note 21. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Hayes Knight Audit Pty Ltd, the auditor of the company:

	Consolidated	
	2014	2013
	\$	\$
<i>Audit services - Hayes Knight Audit Pty Ltd</i>		
Audit or review of the financial statements	<u>35,500</u>	<u>35,000</u>

Note 22. Contingent liabilities

There were no contingent liabilities at 30 June 2014 or 30 June 2013.

Note 23. Commitments

In order to maintain current rights of tenure to exploration tenements, the consolidated entity is in some instances required to outlay rentals and drill wells. The company has determined that there are no current commitments, as noted above, required to meet such costs and meet the rehabilitation of sites.

Note 24. Related party transactions

Parent entity

Otis Energy Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 26.

Key management personnel

Disclosures relating to key management personnel are set out in note 20 and the remuneration report in the directors' report.

Transactions with related parties

There were no transactions with related parties during the current and previous financial year.

Otis Energy Limited
Notes to the financial statements
30 June 2014

Note 24. Related party transactions (continued)

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated	
	2014	2013
	\$	\$
Current receivables:		
Loan to subsidiaries	9,774,877	11,461,642
Provision for non-recoverability	(8,604,916)	(7,530,193)

During the current and previous financial years, the company impaired the loan amounts stated about and receivable from its subsidiaries to allow for its non-recovery.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 25. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2014	2013
	\$	\$
Loss after income tax	<u>(1,798,879)</u>	<u>(2,394,914)</u>
Total comprehensive income	<u>(1,798,879)</u>	<u>(2,394,914)</u>

Statement of financial position

	Parent	
	2014	2013
	\$	\$
Total current assets	<u>1,743,379</u>	<u>306,857</u>
Total assets	<u>2,914,666</u>	<u>4,471,498</u>
Total current liabilities	<u>160,407</u>	<u>228,665</u>
Total liabilities	<u>163,828</u>	<u>235,201</u>
Equity		
Issued capital	81,227,364	80,913,940
Options reserve	912,800	1,191,600
Accumulated losses	<u>(79,389,326)</u>	<u>(77,869,243)</u>
Total equity	<u><u>2,750,838</u></u>	<u><u>4,236,297</u></u>

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

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2014 and 30 June 2013.

Otis Energy Limited
Notes to the financial statements
30 June 2014

Note 25. Parent entity information (continued)

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2014 and 30 June 2013.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2014 and 30 June 2013.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 26. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2014 %	2013 %
Otis Energy, Inc.	USA	100.00%	100.00%
Sito Exploration LLC	USA	100.00%	100.00%
Otis Energy I LLC	USA	100.00%	100.00%
Otis Energy II LLC	USA	100.00%	100.00%
Otis Energy (Yemen) Limited*	British Virgin Islands	100.00%	100.00%

* The company was incorporated on 21 May 2013.

Note 27. Events after the reporting period

On the 4 September the consolidated entity announced that it had executed a binding term sheet to acquire 100% of online identification and payment authentication provider, iSignthis BV ("iSignthis").

As consideration for the acquisition of 100% of the issued capital in iSignthis, Otis will issue 44,750,000 Otis shares (on a post consolidation basis) to the shareholders of iSignthis.

In addition, Otis will also issue up to 50,500,000 performance shares (on a post consolidation basis) based on achievement of the following milestones within three (3) of completing the transaction:

- (i) 16,800,000 Class A Performance Shares – on achievement of annual revenue of at least \$5,000,000. Annual revenue will be calculated on annualised basis over a 6 month reporting period. Class A Performance Shares will expire if unconverted within three (3) years of completing the transaction;
- (ii) 16,800,000 Class B Performance Shares – on achievement of annual revenue of at least \$7,500,000. Annual revenue will be calculated on annualised basis over a 6 month reporting period. Class B Performance Shares will expire if unconverted within three (3) years of completing the transaction; and
- (iii) 16,900,000 Class C Performance Shares – on achievement of annual revenue of at least \$10,000,000. Annual revenue will be calculated on annualised basis over a 6 month reporting period. Class C Performance Shares will expire if unconverted within three (3) years of completing the transaction.

Otis Energy Limited
Notes to the financial statements
30 June 2014

Note 27. Events after the reporting period (continued)

The transaction is subject to all necessary regulatory approvals and shareholder approvals under the ASX Listing Rules, Corporations Act 2001 (Cth) (Corporations Act) and any other law to allow lawful completion of the acquisition of IST.

The transaction will include a re-compliance with Chapters 1 & 2 of the ASX Listing Rules, Otis completing a consolidation of its securities on a basis of 66.67:1, completion of a post consolidation capital raising, pursuant to a prospectus, to raise approximately \$2,400,000 by way of a pro-rata priority offer to existing shareholders on the basis of one (1) new share for every two (2) shares held, with the options (subject to mutual agreement between Otis and iSignthis) of raising up to a further \$500,000 pursuant to an additional general offer. Otis has executed a mandate for Cygnet Capital Pty Ltd to fully underwrite the priority offer.

Other key terms of the transaction include the payment by Otis to iSignthis, of a non-refundable Inducement Fee of \$50,000, provision, by Otis to iSignthis, of a drawdown facility of up to \$300,000 to be immediately available upon execution of a binding term sheet. Execution of a binding share sale, intellectual property assignment and licence agreements between Otis and the shareholders of iSignthis and the sale of the remaining oil and gas assets of Otis.

No other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 28. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2014	2013
	\$	\$
Loss after income tax expense for the year	(2,562,403)	(2,969,915)
Adjustments for:		
Depreciation and amortisation	96,346	168,797
Net fair value loss on available-for-sale financial assets	6,282	9,267
Share based payments	-	24,800
Impairment expense	2,175,307	2,695,407
Net gain on fair value through profit and loss assets	(38,477)	(36,750)
Change in operating assets and liabilities:		
Decrease in trade and other receivables	48,270	74,711
Decrease/(increase) in prepayments	(5,411)	21
Decrease in trade and other payables	(52,735)	(4,006)
Increase/(decrease) in employee benefits	(5,942)	14,286
Net cash used in operating activities	<u>(338,763)</u>	<u>(23,382)</u>

Note 29. Earnings per share

	Consolidated	
	2014	2013
	\$	\$
Loss after income tax attributable to the owners of Otis Energy Limited	<u>(2,562,403)</u>	<u>(2,969,915)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>1,315,906,974</u>	<u>1,155,934,371</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>1,315,906,974</u>	<u>1,155,934,371</u>

Otis Energy Limited
Notes to the financial statements
30 June 2014

Note 29. Earnings per share (continued)

	Cents	Cents
Basic earnings per share	(0.19)	(0.26)
Diluted earnings per share	(0.19)	(0.26)

Diluted Earnings per share

The rights to options held by option holders have not been included in the weighted average number of ordinary shares for the purposes of calculating diluted EPS as they do not meet the requirements for inclusion in AASB 133 "Earnings per share". The rights to options are non-dilutive as the consolidated entity has generated a loss for the period.

Note 30. Share-based payments

During current and previous financial years, the company issued options over ordinary shares in the parent entity to certain key management personnel and consultants following shareholder approval received at general meetings. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Board.

Set out below are summaries of options granted under the plan:

2014

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
10/06/2011	31/12/2015	\$0.050	5,000,000	-	-	-	5,000,000
25/02/2011	31/12/2015	\$0.050	43,800,000	-	-	-	43,800,000
25/09/2009	31/12/2013	\$0.150	6,800,000	-	-	(6,800,000)	-
01/03/2013	01/03/2016	\$0.005	10,000,000	-	-	-	10,000,000
			65,600,000	-	-	(6,800,000)	58,800,000

2013

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
10/06/2011	31/12/2015	\$0.050	5,000,000	-	-	-	5,000,000
25/02/2011	31/12/2015	\$0.050	43,800,000	-	-	-	43,800,000
25/09/2009	31/12/2013	\$0.150	6,800,000	-	-	-	6,800,000
25/09/2009	31/12/2012	\$0.100	6,550,000	-	-	(6,550,000)	-
09/05/2012	30/06/2013	\$0.010	60,000,000	-	-	(60,000,000)	-
01/03/2013	01/03/2016	\$0.005	-	10,000,000	-	-	10,000,000
			122,150,000	10,000,000	-	(66,550,000)	65,600,000

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.53 years (2013: 2.32 years). The weighted average exercise price of the options outstanding at the end of the financial year was \$0.0423 (2013: \$0.0535).

Otis Energy Limited
Directors' declaration
30 June 2014

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Mr Winton Willesee
Director

25 September 2014
Perth



Hayes Knight Audit
chartered accountants · your partners in success

Hayes Knight Audit Pty Ltd
ABN: 86 005 105 975

Level 12, 31 Queen St,
Melbourne, VIC 3000

T: 03 8613 8888 F: 03 8613 8800

Email: info@hayesknightaudit.com.au

www.hayesknight.com.au

Registered Audit Company 291969

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF OTIS ENERGY LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Otis Energy Limited, which comprise the statement of financial position as at 30 June 2014, the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001 has been provided to the directors of Otis Energy Limited.

An independent Member of the Hayes Knight Group and Morison International.

Liability limited by a scheme approved under Professional Standards Legislation.

Associated Offices : Adelaide | Auckland | Brisbane | Darwin | Melbourne | Perth | Sydney

Auditor's Opinion

In our opinion:

- a. the financial report of Otis Energy Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the company and consolidated entity's financial position as at 30 June 2014 and of their performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 10 of the report of the directors for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with s 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.

Auditor's Opinion

In our opinion the Remuneration Report of Otis Energy Limited for the year ended 30 June 2014 complies with s 300A of the *Corporations Act 2001*.

Hayes Knight Audit

Hayes Knight Audit Pty Ltd

Melbourne



Richard Cen

Director

Dated this

25

day of

September

2014



Otis Energy Limited
Shareholder information
30 June 2014

The shareholders information set out below was applicable as at 3rd September 2014.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Number of holders of options over ordinary shares
1 to 1,000	444	26
1,001 to 5,000	65	51
5,001 to 10,000	109	28
10,001 to 100,000	686	110
100,001 and over	570	121
	<u>1,874</u>	<u>336</u>
Holding less than a marketable parcel	<u>1,399</u>	<u>294</u>

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares Number held	% of total shares issued
Mycatmax Pty Ltd (The Viking S/F A/C)	145,000,000	9.08
Ms Merle Smith & Ms Kathryn Smith (The Mini Pension Fund A/C)	65,476,408	4.10
HSBC Custody Nominees (Australia) Limited	61,842,612	3.87
Scintilla Strategic Investments Limited	56,175,000	3.52
Seaspin Pty Ltd (Aphrodite)	54,250,000	3.40
Mr Garry Collins	47,495,934	2.97
Mahsor Holdings Pty Ltd (Rosham Family S/F NO2) (Olive Grove Family A/C)	30,000,000	1.88
Mr Michael F McMahon & Mrs Susan	30,000,000	1.88
J P Morgan Nominees Australia Limited	26,625,936	1.67
Miss Stacey A Stobaus	25,150,000	1.57
Mr George Haydarieh	25,000,000	1.57
B & G Estates Limited	25,000,000	1.57
Storico Holdings Pty Ltd (Maple Leaf Investment A/C)	25,000,000	1.57
Prospero Capital Pty Ltd (Prospero Growth Fund A/C)	25,000,000	1.57
Mrs Sara Jacob	25,000,000	1.57
Flue Holdings Pty Ltd	23,774,618	1.49
Mr Daniel P Wise (Ark Investments A/C)	21,000,000	1.31
Luniar Pty Ltd	18,313,785	1.15
Whistler Street Pty Ltd (E W Super Fund A/C)	17,700,000	1.11
Berenes Nominees Pty Ltd (Berenes Super Fund A/C)	17,264,726	1.08
	<u>765,069,019</u>	<u>47.93</u>

Otis Energy Limited
Shareholder information
30 June 2014

	Options over ordinary shares	Options over ordinary shares % of total options issued
	Number held	
Whistler Street Pty Ltd (Warburton Discretionary A/C)	24,000,000	12.24
Azalea Family Holdings Pty Ltd (No. 2 A/C)	12,312,500	6.28
Berenes Nominees Pty Ltd (Berenes Super Fund A/C)	10,000,000	5.10
Dominion Investments Pty Ltd	10,000,000	5.10
UOB Kay Hian Private Limited (Clients A/C)	8,675,000	4.42
Deck Chair Holdings Pty Ltd	7,864,368	4.01
Castle Bailey Pty Ltd (D & S Bailey Family A/C)	5,394,250	2.75
Mr Evan G Cross	5,000,000	2.55
Mrs Donna S Cross	5,000,000	2.55
Castle Bailey Pty Ltd (D & S Bailey Family A/C)	4,000,000	2.04
Goffacan Pty Ltd	3,978,062	2.03
Greenday Corporate Pty Ltd	3,500,000	1.79
Ms Merle Smith and Ms Kathryn Smith (The Mini Pension Fund A/C)	3,317,283	1.69
Mr Michael John Hynes	3,303,300	1.68
Bell Potter Nominees Limited (BB Nominees A/C)	2,875,000	1.47
Miss Ching Fong Wan	2,688,513	1.37
Fullerton Private Capital Pty Ltd	2,675,614	1.36
Gaks Investment Holdings Pty Ltd	2,569,950	1.31
Mr John Zaccaria	2,500,000	1.28
Mr Dalbir Singh	2,130,050	1.09
	<u>121,783,890</u>	<u>62.11</u>

Unquoted equity securities

There are no unquoted equity securities.

Substantial holders

There are no substantial holders in the company.

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.