FINANCIAL
SIX MONTHS ENDED 31 DECEMBER 2020

H1 FY21 HIGHLIGHTS

Otto Energy Limited (ASX:OEL) (**Otto** or the **Company**) is pleased to provide its financial results for the half year ended 31 December 2020.

STRATEGIC DELIVERY

- Development and release of updated Otto strategic plan at Annual General Meeting in November 2020; built upon three pillars:
  - **Pillar 1 – Base asset delivery excellence**
  - **Pillar 2 – Organic growth within existing base**
  - **Pillar 3 – Inorganic growth via opportunity capture to enhance value**
- Intensive and ongoing implementation of organisation-wide cost reduction and efficiency drive.
- Successful sale of Borealis Alaska LLC subsidiary to Pantheon Resources Plc for 14.27 million Pantheon shares (LSE:PANR) on 20 January 2021.

FINANCIAL DELIVERY

EARNINGS

- **Production increased by 35%** to 3,068 boe/d at 55% liquids (H1 FY20: 2,268 boe/d at 71% liquids), driven by Green #2 gas well commencing production in February 2020.
- **Total WI revenue reduced by 17%** to US$14.4 million (H1 FY20: US$17.5 million), predominantly attributable to lower market oil prices.
- **Net operating revenue decreased 20%** to US$11.2 million (H1 FY20: US$14.0 million).
- **Strong operating cost-out performance in challenging market environment**
  - 68% reduction in field lifting costs per barrel (operating expenses, business development, exploration costs), compared to prior period.
  - 38% reduction in non-field lifting costs per barrel (G&A costs), compared to prior period, across multiple areas including administrative, licensing, legal and advisory/consultant costs.
- **Adjusted EBITDAX reduced by 50%** to US$4.2 million (H1 FY20: US$8.4 million), excluding non-cash impairment charges.

- **Underlying EBITDA increased by 718%** to US$2.5 million (H1 FY20: US$0.3 million), as a result of less exploration expenditures.
- **Net loss before taxes (excluding impairment)** of US$1.4 million (H1 FY20: US$2.7 million loss).
- **Net loss after tax** of US$14.3M (H1 FY20: US$2.7M loss), which includes US$12.9 million pre-tax impairment pertaining to GC 21.

CASHFLOW

- Net operating cashflow (pre-exploration) of US$8.3 million (H1 FY20: US$10.7 million).
- Net operating cashflow (post exploration) of US$4.6 million (H1 FY20: US$3.1 million).
- Free cashflow (operating net investing) of -US$2.3 million (H1 FY20: -US$1.1 million).
- Debt repayment of US$4.6M during the half.

LIQUIDITY

- Balance date cash of US$9.7 million.
- Balance date debt (drawn credit facility) of US$16.1M.
- On 21 January 2021, Otto announced that its credit facility had been amended to:
    - Extend the potential drawdown of Tranche A2 (US$10M) out to 31 March 2022
    - Establish timing for a GC 21 mitigation plan to be implemented (by 31 July 2021)
    - Establish a minimum quarterly average production requirement of 1,900 boe/d until the GC 21 mitigation is completed (Otto net WI volume)

OPERATIONS

The below table summarizes the Company's production, WI revenue and prices received during the six months ended 31 December 2020 and 2019:

	H1 FY21	H1 FY20	% change
Total Oil (Bbls)	268,580	274,188	-2%
Total Gas (Mcf)	1,528,190	730,863	109%
Total NGLs (Bbls)	41,242	21,303	94%
Total BOE	564,520	417,302	35%
Total (Boe/d)	3,068	2,268	35%
Percent Liquids (%)	55%	71%	-22%
Total WI Revenue (US$MM)	$ 14.4	$ 17.5	-17%
Avg oil price ($/Bbl) *	$ 38.06	$ 56.61	-33%
Avg gas price ($/Mmbtu)	$ 2.33	$ 2.28	2%
Avg NGL price ($/Bbl)	$ 12.78	$ 12.77	0%

*Average oil price does not consider the effects of hedges. If including hedges, the average realized oil price would be $42.07 and $55.75 for the Half-Year ended 31 December 2020 and 2019, respectively.

Included in the H1 FY21 production figures is the "Bulleit" appraisal well located at GC 21 which commenced production from the deeper MP sands on 15 October 2020 (16.67% WI; 13.34% NRI). Initial production rates were less than what the collected rock property data and analogue reservoirs would suggest. Additional engineering analysis is underway to determine whether a well intervention and stimulation could enhance the current well deliverability, or if a recompletion in the shallower DTR-10 sands is warranted. Production was approximately 916 Boe/d as of 31 December 2020.

The Company originally estimated approximately $23.5 million to drill, complete and bring the Bulleit well to production status, as provided by the Operator. At 31 December 2020, the final cost to drill, complete and bring the Bulleit well to production status was estimated to be approximately $39.2 million. Of this amount, $34.3 million had been paid as of 31 December 2020, with another $3.8 million paid to date in Q3 FY21. The Company expects to pay the final remaining balance by the end of Q3 FY21.

Per Otto's Reserve Update as of 30 June 2020, approximately 70% of current GC 21 proven reserves are contained in the independent shallower DTR-10 sand which can be produced from the existing well bore. As a result of the cost overruns and lower than expected performance of the Bulleit well at GC 21, the Company engaged Ryder Scott Company, a qualified external petroleum engineering consultant, to revise its independent assessment of the Green Canyon 21 Field reserves. After reviewing the results of the revised reserves estimates, the Company recognised an impairment loss of $12.8 million. The revised GC 21 reserves as at 31 December 2020 are set out in the table below.

Green Canyon 21	Gross (100%)			Net (13.336%)		
	Oil (MbbL)	Gas (MMcf)	Mboe	Oil (MbbL)	Gas (MMcf)	Mboe
Proved Producing	56	392	122	8	53	17
Proved Behind Pipe	-	-	-	-	-	-
Proved Undeveloped	3,902	2,341	4,292	528	317	581
Proven (1P)	**3,958**	**2,733**	**4,414**	**536**	**370**	**598**
Probable	3,393	2,043	3,733	460	277	505
Proven Plus Probable (2P)	**7,351**	**4,776**	**8,147**	**996**	**647**	**1,103**
Possible	1,065	645	1,172	144	87	159
Proven Plus Probable Plus Possible (3P)	**8,416**	**5,421**	**9,319**	**1,140**	**734**	**1,262**

Reserves Cautionary Statement

Oil and gas reserves and resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates that were valid when originally calculated may alter significantly when new information or techniques become available. Additionally, by their very nature, reserve and resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional drilling and analysis, the estimates are likely to change. This may result in alterations to development and production plans which may, in turn, adversely impact the Company's operations. Reserves estimates and estimates of future net revenues are, by nature, forward looking statements and subject to the same risks as other forward-looking statements.

COMMENT FROM CHAIRMAN & CEO, MR. MICHAEL UTSLER

Overall, we are pleased with our results for the six months ended 31 December 2020. Our production increased 35% while our exploration and administrative costs decreased 65%. Additionally, we were able to monetize our working interest in Alaska subsequent to quarter end for meaningful proceeds which we look forward to closing in the coming months. The non-cash impairment charge of $12.9 million adversely affected our earnings, but excluding that and all other non-cash charges, our earnings for the period would have been $4.8 million.

Protecting our liquidity is also a priority for us. Consequently, the recent increase in commodity prices has allowed us to price protected approximately 80% of our forecasted PDP oil production for the remainder of 2021 with swaps at a weighted-average price of $51.34 per barrel and 75% of our forecasted PDP oil production for 2022 at a weighted-average price of $49.92 per barrel.

OTTO AT A GLANCE

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

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

Chief Financial Officer
Sergio Castro

Company Secretary:
Kaitlin Smith (AE Administrative Services)

ASX Code: OEL

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This release has been approved by the Company's Board of Directors

Definitions

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

Appendix 1 - Reconciliation of non-IFRS financial information

Where indicated, this announcement also contains some non-IFRS financial information, including in the H1 FY21 Highlights. Below is a reconciliation of non-IFRS financial information to reviewed IFRS financial information. Adjusted EBITDAX (earnings before interest, tax, depreciation, depletion, exploration, evaluation and impairment), Adjusted EBITDA (earnings before interest, tax, depreciation, depletion and impairment) and Adjusted EBIT (earnings before interest, tax and impairment) are non IFRS measures that are presented to provide investors with further information and perspective on the overall financial performance and operations of the Company. The non-IFRS financial information is not reviewed, however the numbers have been extracted from the reviewed financial statements. The reviewed Half Year Financial Report accompanies this summary release and is available on the Otto Energy website at www.ottoenergy.com. Please refer to the reviewed financial statements for the IFRS financial information.

	US$(000)		*$/Boe*	
	H1 FY21	**H1 FY20**	**H1 FY21**	**H1 FY20**
Operating revenue, net of royalties	11,175	14,008	19.80	33.57
Gathering and production charges (opex)	(2,417)	(1,474)	(4.28)	(3.53)
Cash Operating Gross Profit	**8,758**	**12,534**	**15.51**	**30.04**
Loss on derivatives	(2,655)	(1,723)	(4.70)	(4.13)
Net admin costs (G&A) *	(1,828)	(2,188)	(3.24)	(5.24)
New ventures and business development cost	(89)	(232)	(0.16)	(0.56)
Other income	19	24	0.03	0.06
Adjusted EBITDAX	**4,205**	**8,415**	**7.45**	**20.17**
Exploration expenditures	(1,685)	(8,107)	(2.98)	(19.43)
Adjusted EBITDA	**2,520**	**308**	**4.46**	**0.74**
Amortisation of capitalised developments	(2,237)	(2,355)	(3.96)	(5.64)
Depreciation - admin	(143)	(74)	(0.25)	(0.18)
Adjusted EBIT	**140**	**(2,121)**	**0.25**	**(5.08)**
Finance income/(costs)	(1,547)	(546)	(2.74)	(1.31)
Net loss before tax, excluding impairment	**(1,407)**	**(2,667)**	**(2.49)**	**(6.39)**
Impairment losses	(12,850)	-	(22.76)	-
Net loss before tax	**(14,257)**	**(2,667)**	**(25.26)**	**(6.39)**
Tax	(10)	(2)	(0.02)	(0.00)
Net loss after tax	**(14,267)**	**(2,669)**	**(25.27)**	**(6.40)**
* Net admin costs (G&A) includes:				
Disposal of property	-	-	-	-
employee benefits	(1,257)	(1,733)	(2.23)	(4.15)
corporate costs	(587)	(441)	(1.04)	(1.06)
FX losses	16	(14)	0.03	(0.03)
Net admin costs (G&A)	**(1,828)**	**(2,188)**	**(3.24)**	**(5.24)**
Reconciliation of net cash outflow from operating activities				
Operating cash flows from operating activities before exploration	8,290	10,669	14.69	25.57
Payments for exploration and evaluation	(3,694)	(7,611)	(6.54)	(18.24)
Net cash outflow from operating activities	**4,596**	**3,058**	**8.14**	**7.33**

OTTO ENERGY LIMITED

ABN: 56 107 555 046

Half-year financial report

31 December 2020

CONTENTS

CORPORATE DIRECTORY

Directors	Mr Michael J. Utsler – Executive Chairman and Chief Executive Officer Mr John Jetter – Non-Executive Director Mr Geoff Page – Non-Executive Director Mr Paul Senycia – Non-Executive Director Mr Kevin Small – Executive Director
Company Secretary	Ms Kaitlin Smith
Key Executives	Mr Michael J. Utsler – Managing Director and Chief Executive Officer Mr Will Armstrong – Vice President Exploration and New Ventures Mr Sergio Castro – Chief Financial Officer Mr Kevin Small – Chief Geophysicist
Principal registered office in Australia	Ground Floor 70 Hindmarsh Square Adelaide, SA, 5000 Tel: + 61 8 6467 8800 Fax: + 61 8 6467 8801
Houston Office	Suite #1080 Two Allen Center, 1200 Smith Street, Houston, Texas 77002 Tel: +1 713-893-8894
Share Registry	Link Market Services Limited Level 12 QV1 Building 250 St Georges Terrace Perth WA 6000 Tel: + 61 8 9211 6670 Fax: + 61 2 9287 0303
Auditors	BDO Audit (WA) Pty Ltd 38 Station Street Subiaco WA 6008 Tel: + 61 8 6382 4600 Fax: + 61 8 6382 4601
Securities Exchange Listing	Australian Securities Exchange Level 8, Exchange Plaza 2 The Esplanade Perth WA 6000 ASX Code: OEL
Website address	www.ottoenergy.com
ABN	56 107 555 046

DIRECTORS' REPORT

For the half-year ended 31 December 2020

The Directors present their report together with the consolidated financial statements of the Group comprising Otto Energy Limited (referred to as 'Otto' or the 'Company') and its subsidiaries for the half-year ended 31 December 2020 (the 'Group').

Directors

The Directors in office at any time during the half-year and until the date of this report are set out below. All Directors were in office for the entire period except for Mr Geoff Page who was appointed 17 July 2020 and Mr Michael Utsler who was appointed 11 September 2020.

Mr Michael J. Utsler
Mr John Jetter
Mr Paul Senycia
Mr Kevin Small
Mr Geoff Page

With the appointment of Mr Michael J. Utsler as Executive Director on 11 September 2020, Mr John Jetter changed from Executive Chairman to Non-Executive Chairman. With the subsequent appointment of Mr Utsler as Executive Chairman on 19 November 2020, Mr Jetter resigned as Chairman, and remains on the board as a Non-Executive Director.

Company Secretary

Ms Kaitlin Smith

Financial Position

As at 31 December 2020, the Company had total assets of $53.9 million (June 2020: $69.3 million) and total liabilities of $23.7 million (June 2020: $24.6 million), resulting in net assets of $30.3 million (June 2020: $44.7 million). Included in these amounts were cash of $9.7 million (June 2020: $16.6 million) and borrowings, net of transaction costs, of $14.2 million (June 2020: $18.3 million).

Production and Development

Summary Production Volumes Table (WI)

	H1 FY21	H1 FY20	% change
Total Oil (Bbls)	268,580	274,188	-2%
Total Gas (Mcf)	1,528,190	730,863	109%
Total NGLs (Bbls)	41,242	21,303	94%
Total BOE	564,520	417,302	35%
Total (Boe/d)	3,068	2,268	35%
Percent Liquids (%)	55%	71%	-22%
Total WI Revenue (US$MM)	$ 14.4	$ 17.5	-17%
Avg oil price ($/Bbl) *	$ 38.06	$ 56.61	-33%
Avg gas price ($/Mmbtu)	$ 2.33	$ 2.28	2%
Avg NGL price ($/Bbl)	$ 12.78	$ 12.77	0%

*Average oil price does not consider the effects of hedges. If including hedges, the average realized oil price would be $42.07 and $55.75 for the Half-Year ended 31 December 2020 and 2019, respectively.

The decrease in oil production is mainly attributable to South Marsh Island 71 (SM 71) which was shut in for approximately 21 days during the current period due to weather and maintenance as a result of a record number of hurricanes entering the Gulf of Mexico this year. The increase in natural gas and natural gas liquids, as well as the decrease in percent liquids, is mainly attributable to the Green #2 natural gas well commencing production in February 2020

Operating Results

Consolidated net loss from operations after income tax for the half-year ended 31 December 2020 was $14.3 million (2019: net loss of $2.7 million). This decrease was primarily driven by a non-cash impairment charge on Green Canyon 21, as well as lower sales revenues, higher financing costs, and a larger loss on derivatives, partially offset by lower exploration expenses and administrative costs. Excluding the non-cash effects of impairment charges and the derivatives, the Company would have realized net income of $1.2 million for the current half-year, compared to a net loss of $0.9 million for the previous half-year, an improvement of 231%.

Net revenue for the current half-year was $11.2 million (2019: $14.0 million), a decrease attributable to a 33% decrease in crude oil prices, partially offset by an increase in production as a result of the Green #2 natural gas well commencing production in February 2020.

Impairment charges for the current half-year were $12.9 million (2019: nil), as a result of cost overruns and lower than expected performance on the Bulleit well at Green Canyon 21 (GC 21) since beginning production in October 2020.

Financing costs for the current half-year were $1.5 million (2019: $0.5 million), as a result of a full six months of interest and fees associated with the Company's credit facility with Macquarie Bank which was established in November 2019.

The Company incurred lower exploration expenditures during the current period of $1.7 million (2019: $8.1 million), as well as lower administrative costs during the current period of $2.1 million (2019: $2.5 million), for a total decrease of $6.9 million, or 65%. While the majority of the decrease is attributable to less drilling expenditures during the current period (only drilling the Hilcorp-operated Beluga well), the remaining decrease reflects the corporate cost cutting initiatives communicated in the ASX announcement dated 16 July 2020.

Commodity Price Risk Management

Loss on derivatives for the current half-year were $2.7 million (2019: $1.7 million), as a result of additional hedges placed on 1 July 2020, 29 July 2020 and August 2020, for $41.05, $44.45 and $46.05, respectively, which lowered the Company's 2020 weighted average hedged price from $56.71 to $50.11; the 2021 weighted average hedged price from $53.71 to $51.62; and the 2022 weighted average hedged price from $54.00 to $49.20.

As of 31 December 2020, Otto had a total hedge book of 348,608 barrels of oil hedged through September 2022 via swaps, at a weighted average LLS price of US$50.85 as follows:

Months	Volume (Bbls)	Weighted Avg Price (LLS)
January - December 2021	238,690	$ 51.62
January - September 2022	109,919	$ 49.20

See "Significant Events after Balance Sheet Date" for additional information.

Asset Level Summary Performance

Gulf of Mexico – South Marsh Island 71 (SM 71)

Production from the SM 71 F Platform in the Gulf of Mexico commenced in March 2018 with the F1 and F3 wells producing in the primary D5 Sand reservoir and the F2 well producing from the B55 Sand. Otto owns a 50% WI (40.63% NRI) in this field, with production for the half-year ended 31 December 2020 and 2019 as follows:

Production Volumes - Half-Year Ended:		31-Dec-20	31-Dec-19	% change
WI (50%)	SM 71 – Oil (bbls)	219,608	259,274	-15%
	SM 71 – Gas (Mscf)	141,437	273,689	-48%
	SM 71 – Total (Boe)	243,181	304,889	-20%
	SM 71 – Total (Boepd)	1,322	1,657	-20%
NRI (40.625%)	SM 71 – Oil (bbls)	178,432	210,660	-15%
	SM 71 – Gas (Mscf)	114,918	222,372	-48%
	SM 71 – Total (Boe)	197,585	247,722	-20%
	SM 71 – Total (Boepd)	1,074	1,346	-20%

Sales Revenue - Half-Year Ended:		31-Dec-20	31-Dec-19	% change
WI (50%)	SM 71 – Oil - $million	$ 8.3	$ 14.7	-43%
	SM 71 – Oil - $ per bbl	$ 37.85	$ 56.54	-33%
	SM 71 – Gas - $million	$ 0.4	$ 0.7	-46%
	SM 71 – Gas – $ per MMbtu	$ 2.30	$ 2.25	3%
	SM 71 – Total – $million	$ 8.7	$ 15.3	-43%
NRI (40.625%)	SM 71 – Total – $million	$ 7.1	$ 12.5	-44%

Production volumes for the current half-year were below production volumes for the prior half-year due to being shut in for approximately 21 days during the current period for weather and maintenance. Sales revenues decreased even further as a result of the 33% decrease in crude oil prices. Recompletion potentials for the F2 well and re-entry potentials for the temporarily abandoned F5 well remain under evaluation for FY2022. Production was approximately 1,530 Boe/d as of 31 December 2020.

Texas Gulf Coast – Lightning Field

The first well in the Lightning field, the Green #1, commenced production in May 2019, while the Green #2 began production in February 2020. Otto owns a 37.5% WI (28.2% NRI) in this field, with production for the half-year ended 31 December 2020 and 2019 as follows:

Production Volumes - Half-Year Ended:		31-Dec-20	31-Dec-19	% change
WI (37.5%)	Lightning – Oil (bbls)	43,569	14,914	192%
	Lightning – Gas (Mscf)	1,363,379	457,174	198%
	Lightning – NGLs (bbls)	40,391	21,303	90%
	Lightning – Total (Boe)	311,190	112,413	177%
	Lightning – Total (Boepd)	1,691	611	177%
NRI (28.2%)	Lightning – Oil (bbls)	32,780	11,221	192%
	Lightning – Gas (Mscf)	1,025,760	343,962	198%
	Lightning – NGLs (bbls)	30,389	16,028	90%
	Lightning – Total (Boe)	234,129	84,575	177%
	Lightning – Total (Boepd)	1,272	460	177%

Sales Revenue - Half-Year Ended:		31-Dec-20	31-Dec-19	% change
WI (37.5%)	Lightning – Oil - $million	$ 1.7	$ 0.9	97%
	Lightning – Oil - $ per bbl	$ 38.83	$ 57.66	-33%
	Lightning – Gas - $million	$ 3.2	$ 1.0	224%
	Lightning – Gas – $ per MMbtu	$ 2.32	$ 2.24	4%
	Lightning – NGLs - $million	$ 0.5	$ 0.3	93%
	Lightning – NGLs – $ per bbl	$ 12.84	$ 12.63	2%
	Lightning – Total – $million	$ 5.5	$ 2.1	156%
NRI (28.2%)	Lightning – Total – $million	$ 4.1	$ 1.6	156%

Production volumes for the current half-year were higher than production volumes for the prior half-year due to the Green #2 well commencing production in February 2020 and not contributing to the prior half-year period. Sales revenues did not have the same level of increase due to the 33% decrease in crude oil prices. Production was approximately 1,581 Boe/d as of 31 December 2020.

Reinterpretation of the 3D seismic by the operator confirms that there are multiple levels of hydrocarbon pay in the Lightning field. While production is currently from the upper Tex Miss 1 zone, the lower Tex Miss 2/3 zone was tested in both wells while they were being drilled. The Tex Miss 2/3 zone appears to be aerially significantly larger and potentially thicker but indicates lower permeability. Future wells (eg: Green #3 in FY2022) might test the ability to stimulate the Tex Miss 2/3 zone and unlock its significant upside potential.

Gulf of Mexico – Green Canyon 21

The "Bulleit" appraisal well located at GC 21 commenced production from the deeper MP sands on 15 October 2020 after experiencing multiple weather delays in reaching stabilized production rates. Otto owns a 16.67% WI (13.34% NRI) in this field, with production for the half-year ended 31 December 2020 and 2019 as follows:

Production Volumes - Half-Year Ended:		31-Dec-20	31-Dec-19	% change
WI (16.67%)	GC 21 – Oil (bbls)	5,403	n/a	100%
	GC 21 – Gas (Mscf)	23,374	n/a	100%
	GC 21 – NGLs (bbls)	851	n/a	100%
	GC 21 – Total (Boe)	10,150	n/a	100%
	GC 21 – Total (Boepd)	55	n/a	100%
NRI (13.34%)	GC 21 – Oil (bbls)	4,323	n/a	100%
	GC 21 – Gas (Mscf)	18,699	n/a	100%
	GC 21 – NGLs (bbls)	680	n/a	100%
	GC 21 – Total (Boe)	8,120	n/a	100%
	GC 21 – Total (Boepd)	44	n/a	100%

Sales Revenue - Half-Year Ended:		31-Dec-20	31-Dec-19	% change
WI (16.67%)	GC 21 – Oil - $million	$ 0.2	n/a	100%
	GC 21 – Oil - $ per bbl	$ 40.09	n/a	100%
	GC 21 – Gas - $million	$ 0.1	n/a	100%
	GC 21 – Gas – $ per MMbtu	$ 2.83	n/a	100%
	GC 21 – NGLs - $million	$ 0.0	n/a	100%
	GC 21 – NGLs – $ per bbl	$ 9.60	n/a	100%
	GC 21 – Total – $million	$ 0.3	n/a	100%
NRI (13.34%)	GC 21 – Total – $million	$ 0.2	n/a	100%

The above rates are less than what the collected rock property data and analogue reservoirs would suggest. A comprehensive review is ongoing of the conditions surrounding the drilling of the MP sands, including the setting of production casing, perforating, completion and stimulation activities, well performance data, and bottomhole pressure build up test results. The well will continue to flow at current rates while additional engineering analysis is completed to determine whether a well intervention and stimulation could enhance the current well deliverability, or if a recompletion in the shallower DTR-10 sands is warranted. Production was approximately 916 Boe/d as of 31 December 2020.

The Company originally estimated approximately $23.5 million to drill, complete and bring the Bulleit well to production status, based on Authorization For Expenditures ("AFEs") provided by the Operator. At 31 December 2020, the final cost to drill, complete and bring the Bulleit well to production status was estimated to be approximately $39.2 million. Of this amount, $34.3 million had been paid as of 31 December 2020, with another $3.8 million paid in Q3 FY21. The Company expects to pay the final remaining balance by the end of Q3 FY21. Below is a summary of the individual components:

(US$millions)	Original Estimated Cost	Updated Estimated Cost	Paid as at 31-Dec-20	Paid as at 28-Feb-21	Remaining Balance to be Paid
Drilling	$ 7.4	$ 16.7	$ 16.7	$ 16.7	$ -
Subsea Tieback	$ 10.8	$ 12.6	$ 10.8	$ 12.6	$ -
Platform Modifications	$ 1.4	$ 3.2	$ 3.2	$ 3.2	$ -
Completion Costs	$ 3.9	$ 6.7	$ 3.6	$ 5.6	$ 1.1
	$ 23.5	$ 39.2	$ 34.3	$ 38.1	$ 1.1

Per Otto's Reserve Update as of 30 June 2020, approximately 70% of current GC 21 proven reserves are contained in the independent shallower DTR-10 sand which can be produced from the existing well bore. As a result of the cost overruns and lower than expected performance of the Bulleit well at GC 21, the Company engaged Ryder Scott Company, a qualified external petroleum engineering consultant, to revise its independent assessment of the Green Canyon 21 Field reserves. After reviewing the results of the revised reserves estimates, the Company recognised an impairment loss of $12.8 million. The revised GC 21 reserves as at 31 December 2020 are set out in the table below.

Green Canyon 21	Gross (100%)			Net (13.336%)		
	Oil (MbbL)	Gas (MMcf)	Mboe	Oil (MbbL)	Gas (MMcf)	Mboe
Proved Producing	56	392	122	8	53	17
Proved Behind Pipe	-	-	-	-	-	-
Proved Undeveloped	3,902	2,341	4,292	528	317	581
Proven (1P)	**3,958**	**2,733**	**4,414**	**536**	**370**	**598**
Probable	3,393	2,043	3,733	460	277	505
Proven Plus Probable (2P)	**7,351**	**4,776**	**8,147**	**996**	**647**	**1,103**
Possible	1,065	645	1,172	144	87	159
Proven Plus Probable Plus Possible (3P)	**8,416**	**5,421**	**9,319**	**1,140**	**734**	**1,262**

Reserves Cautionary Statement

Oil and gas reserves and resource estimates are expressions of judgment based on knowledge, experience, and industry practice. Estimates that were valid when originally calculated may alter significantly when new information or techniques become available. Additionally, by their very nature, reserve and resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional drilling and analysis, the estimates are likely to change. This may result in alterations to development and production plans which may, in turn, adversely impact the Company's operations. Reserves estimates and estimates of future net revenues are, by nature, forward looking statements and subject to the same risks as other forward-looking statements.

Exploration

Hilcorp Program

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

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

Alaska – North Slope (Central Blocks)

As of 31 December 2020, Pantheon Resources, the operator of the recently formed Talitha Unit ("Pantheon") had secured all necessary permits and authorizations and had commenced the construction of an ice road to the Talitha #A drill site which spud in January 2021.

See "Significant Events after Balance Sheet Date" for additional information.

Liquidity and Debt

Otto's cash on hand at 31 December 2020 was approximately $9.7 million (June 2020: $16.6 million).

On 2 November 2019, the Company entered a three-year senior secured US$55 million facility with Macquarie Bank Limited ("Macquarie") (the "Credit Facility"), secured by substantially all of the Company's oil and gas producing assets. The initial commitment under the Credit Facility is US$35 million (made up of US$25 million available under Tranche A1 and US$10 million available under Tranche A2), with an additional US$20 million subject to further credit approval from Macquarie, with an interest rate of LIBOR plus 8.0% per annum. Quarterly principal repayments commenced on 31 March 2020. As of 31 December 2020, the Company had drawn US$25 million under Tranche A1 and had repaid US$8.9 million, resulting in a closing debt balance of US$16.1 million.

Tranche A2 expired undrawn as of 31 December 2020. Tranche A2 was designed to be accessed once certain production levels at GC 21 were met, which the Company was working towards meeting (although it could also be accessed by meeting other criteria). In an effort to keep Tranche A2 intact, both parties agreed to reinstitute some previous production test requirements and provide some additional time to create a mitigation plan for GC 21 to increase production. As of 31 December 2020, the Company was in compliance with all its financial covenants. See "Significant Events after Balance Sheet Date" for additional information.

Option Issue

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

Corporate and Administrative

Executive Changes

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

Related Parties

Effective 1 April 2020, the Board of Directors engaged Mr John Jetter to serve as a consultant to the Company as needed, to perform any services required by the Company. Under the terms of the consultancy agreement, Mr Jetter is to consult for a maximum of three days per week at a rate of AUD$2,500 per day. For the six months ended 31 December 2020, Mr Jetter earned AUD$62,500 under this consultancy agreement. With the hiring of Mr Utsler in September 2020, it is not expected that Mr Jetter will continue to serve as a consultant.

DIRECTORS' REPORT

For the half-year ended 31 December 2020

Significant Events after Balance Sheet Date

Since 31 December 2020 the following material events have occurred:

Alaska – North Slope (Central Blocks)

On 20 January 2021, the Company announced that it had sold its subsidiary, Borealis Alaska LLC (Borealis) which holds a 10.8% interest in the 44,463-acre Talitha Unit in Alaska, to Pantheon. Under the terms of the sale, Otto will receive 14,272,592 shares in Pantheon Resources Plc (London Stock Exchange: PANR) in exchange for Borealis Alaska LLC. The shares will be subject to a lock up period through 30 June 2021. The transaction is subject to Alaskan DRN approval. Otto will retain an existing 0.5% of 8/8ths ORRI in any future production from the Talitha unit.

On 18 February 2021, the Company announced that Pantheon had provided an operations update in relation to the well.

Borrowings

On 21 January 2021, the Company announced that the Credit Facility had been amended as follows:

- Extend Tranche A2 out until 31 March 2022
- Establish the timing for a GC 21 mitigation plan to be developed and implemented (by 31 July 2021)
  Establish a minimum quarterly average production requirement of 1,900 boepd until the GC 21 mitigation is completed (Otto Net WI volume)

Commodity price risk management

In January 2021, the Company added hedges for an additional 35,000 barrels for 2021 at $50.50 and an additional 4,500 barrels for 2022 at $50.50.

In March 2021, the Company added hedges for an additional 7,439 barrels for 2021 at $59.90 and an additional 12,821 barrels for 2022 at $55.90, resulting in a weighted average LLS price of US$51.70 for the remainder of CY 2021 and US$49.92 for CY 2022 (on forecasted SM 71 and Lightning volumes), resulting in a total hedge book of 408,368 barrels of oil hedged through September 2022 via swaps, at a weighted average LLS price of US$51.14.

There are no other significant events after the reporting date to disclose.

Rounding of amounts

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

Auditor's independence declaration

The auditor's independence declaration is included on page 8 of this report. This report is made in accordance with a resolution of Directors.

Mr Michael J. Utsler
Executive Chairman and Chief Executive Officer

10 March 2021

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Australia

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

As lead auditor for the review of Otto Energy Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

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

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

Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 10 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2020

	Note	31/12/2020 US$'000	31/12/2019 US$'000
Operating revenue (net)	5	11,175	14,008
Cost of sales	6	(4,654)	(3,829)
Gross Profit		**6,521**	**10,179**
Other income	5	19	24
Exploration expenditure	7	(1,685)	(8,107)
Finance costs	8	(1,547)	(546)
Losses on derivatives		(2,655)	(1,723)
Impairment losses	11	(12,850)	-
Administration and other expenses	8	(2,060)	(2,494)
Loss before income tax		**(14,257)**	**(2,667)**
Income tax expense		(10)	(2)
Loss after income tax for the period		**(14,267)**	**(2,669)**
Other comprehensive income that may be recycled to profit or loss			
Total other comprehensive income		-	-
Total comprehensive loss for the period		**(14,267)**	**(2,669)**
Earnings per share			
Basic loss per share (US cents)		(0.35)	(0.11)
Diluted loss per share (US cents)		(0.35)	(0.11)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the half-year ended 31 December 2020

	Note	31/12/2020 US$'000	30/06/2020 US$'000
Current assets			
Cash and cash equivalents	9	9,669	16,551
Trade and other receivables		2,563	2,111
Derivative financial instruments	10	399	2,907
Other assets		138	5,373
Total current assets		**12,769**	**26,942**
Non-current assets			
Right-of-use assets		311	402
Property, plant and equipment		239	288
Oil and gas properties	11	40,130	39,793
Derivative financial instruments	10	106	1,254
Other non-current assets		382	600
Total non-current assets		**41,168**	**42,337**
Total assets		**53,937**	**69,279**
Current liabilities			
Borrowings (net of transaction costs)	12	8,179	8,179
Trade and other payables		5,289	1,958
Lease liabilities		145	139
Provisions		9	194
Total current liabilities		**13,622**	**10,470**
Non-current liabilities			
Borrowings (net of transaction costs)	12	6,043	10,127
Lease liabilities		200	274
Provisions		3,810	3,757
Total non-current liabilities		**10,053**	**14,158**
Total liabilities		**23,675**	**24,628**
Net assets		**30,262**	**44,651**
Equity			
Contributed equity	13	133,223	133,242
Reserves		14,594	14,697
Accumulated losses		(117,555)	(103,288)
Total equity		**30,262**	**44,651**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2020

	Contributed equity	Share-based payments reserve	Foreign currency translation reserve	Accumulated losses	Total
	US$000	US$000	US$000	US$000	US$000
Balance at 1 July 2019	125,041	9,879	4,188	(101,930)	37,178
Loss for the period	-	-	-	(2,669)	(2,669)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(2,669)	(2,669)
Transactions with owners in their capacity as owners:					
Issue of options – refer note 12	-	528	-	-	528
Equity benefits issued to employees – refer note 14	-	68	-	-	68
Balance at 31 December 2019	125,041	10,475	4,188	(104,599)	35,105
Balance at 1 July 2020	133,242	10,509	4,188	(103,288)	44,651
Loss for the period	-	-	-	(14,267)	(14,267)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(14,267)	(14,267)
Transactions with owners in their capacity as owners:					
Issue of shares (net of costs) – refer note 13	(19)	-	-	-	(19)
Equity benefits issued to employees – refer note 14	-	(103)	-	-	(103)
Balance at 31 December 2020	133,223	10,406	4,188	(117,555)	30,262

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2020

	31/12/2020 US$'000	31/12/2019 US$'000
Cash flows from operating activities		
Oil and gas sales (net of royalties)	10,715	14,840
Payments to suppliers and employees	(1,434)	(4,195)
Payments for exploration and evaluation	(3,694)	(7,611)
Interest received	1	24
Interest paid	(1,005)	-
Other income	13	-
Net cash inflow from operating activities	**4,596**	**3,058**
Cash flows from investing activities		
Payments for property, plant and equipment	(97)	(281)
Payments for development	(7,247)	(3,889)
Bond for development asset	468	(7)
Net cash outflow used in investing activities	**(6,876)**	**(4,177)**
Cash flows from financing activities		
Transaction costs relating to issue of shares	(19)	-
Proceeds from borrowings	-	22,000
Repayment of borrowings	(4,600)	-
Transaction costs relating to borrowings	-	(2,530)
Net cash inflow /(outflow) from financing activities	**(4,619)**	**19,470**
Net increase/(decrease) in cash and cash equivalents	(6,899)	18,351
Cash and cash equivalents at the beginning of the half-year	16,551	5,945
Effects of exchange rate changes on cash	17	(15)
Cash and cash equivalents at the end of the half-year	**9,669**	**25,719**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2020

1. Corporate information

The half-year consolidated financial report of the Group for the six months ended 31 December 2020 was authorised for issue in accordance with a resolution of the Directors on 10 March 2021.

Otto Energy Limited is a company incorporated and domiciled in Australia whose shares are publicly traded. The principle activities of the Group are described in the consolidated financial statements of the Group for the year ended 30 June 2020 which are available at www.ottoenergy.com.

2. Basis of preparation

The half-year consolidated financial report for the six months ended 31 December 2020 has been prepared in accordance with AASB 134 Interim Financial Reporting.

The half-year consolidated financial report does not include all the information and disclosures required in the annual financial report, and should be read in conjunction with the Group's financial report for the year ended 30 June 2020 which is available at www.ottoenergy.com.

3. Changes to the Group's accounting policies

There are no new or amended standards adopted by Otto Energy Limited for the 31 December 2020 half-year consolidated financial report.

4. Segment information

The Group has identified its operating segments based on the internal management reports that are reviewed and used by the executive management team in assessing performance and in determining the allocation of resources. The operating segments identified by management are based on the geographical locations of the business which are as follows: Gulf of Mexico (USA) and Other. Discrete financial information about each of these operating segments is reported to the executive management team on at least a monthly basis. The segment information for the reportable segments for the half-year ended 31 December 2020 and comparable period is as follows:

31 December 2020	**Gulf of Mexico (USA)**	**Other**	**Consolidated**
	US$'000	US$'000	US$'000
Operating revenue	11,175	-	11,175
Cost of sales	(4,654)	-	(4,654)
Gross profit	**6,521**	**-**	**6,521**
Other income	-	19	19
Exploration expenditure	(1,436)	(249)	(1,685)
Impairment losses	(12,850)	-	(12,850)
Finance costs	(1,547)	-	(1,547)
Administration and other expenses	(1,484)	(576)	(2,060)
Gains/Losses on derivatives	(2,655)	-	(2,655)
Loss before income tax	**(13,451)**	**(806)**	**(14,257)**
Income tax expense	-	(10)	(10)
Loss after income tax for the period	**(13,451)**	**(816)**	**(14,267)**
Total non-current assets	41,167	1	41,168
Total assets	48,079	5,857	53,937
Total liabilities	23,489	186	23,675

4. Segment information (continued)

31 December 2019	**Gulf of Mexico (USA)**	**Other**	**Consolidated**
	US$'000	US$'000	US$'000
Operating revenue	14,008	-	14,008
Cost of sales	(3,829)	-	(3,829)
Gross profit	**10,179**	**-**	**10,179**
Other income	12	12	24
Exploration expenditure	(8,097)	(10)	(8,107)
Finance costs	(542)	(4)	(546)
Administration and other expenses	(1,995)	(499)	(2,494)
Gains/Losses on derivatives	(1,723)	-	(1,723)
Loss before income tax	**(2,166)**	**(501)**	**(2,667)**
Income tax expense	-	(2)	(2)
Loss after income tax for the period	**(2,166)**	**(503)**	**(2,669)**
30 June 2020			
Total non-current assets	42,086	251	42,337
Total assets	63,199	6,080	69,279
Total liabilities	24,145	483	24,628

5. Revenue and other income

	31/12/2020 US$'000	**31/12/2019** US$'000
South Marsh 71 (SM 71) Sales[i]		
Oil Sales	8,312	14,663
Gas Sales	354	717
Total Sales	8,666	15,380
Less: Royalties[i]	(1,619)	(2,862)
SM 71 Operating Revenue (Net)	7,047	12,518
Lightning Sales[ii]		
Oil Sales	1,769	614
Gas Sales	1,773	687
Natural Gas Liquids Sales	338	189
Lightning Operating Revenue (Net)	3,880	1,490
GC 21 Sales[iii]		
Oil Sales	217	-
Gas Sales	71	-
Natural Gas Liquids Sales	12	-
Total Sales	300	-
Less: Royalties[iii]	(52)	-
GC 21 Operating Revenue (Net)	248	-
Total Operating Revenue (Net)	11,175	14,008

5. Revenue and other income (continued)

	31/12/2020 US$'000	31/12/2019 US$'000
Interest income[iv]	1	24
Other income	18	-
	19	24

(i) SM 71 operating revenue is shown net of royalty payments payable to the (USA) Office of Natural Resources Revenue. Royalty payments are 18.75% of revenue under the terms of the SM 71 lease.
(ii) Proceeds from the sale of oil and gas from the Lightning field are received net of royalty payments.
(iii) GC 21 operating revenue is shown net of royalty payments totalling 20%.
(iv) Interest income is recognised using the effective interest rate method.

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

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

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

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

6. Cost of Sales

	31/12/2020 US$'000	31/12/2019 US$'000
Gathering and Production charges	2,417	1,474
Depreciation of capitalised developments	2,237	2,355
Total Cost of Sales	4,654	3,829

7. Exploration expenditure

	31/12/2020 US$'000	31/12/2019 US$'000
Exploration expenditure – Gulf of Mexico	1,436	8,097
Exploration expenditure – Alaska	249	10
	1,685	8,107

Recognition and measurement

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

Exploration expenditure in relation to the Gulf of Mexico/Gulf Coast includes the exploration drilling of the Beluga ($1.1M) prospect.

8. Other expenses

	31/12/2020 US$'000	31/12/2019 US$'000
Finance costs		
Interest on borrowings - refer Note 12	1,005	359
Interest on lease liabilities	14	9
Amortisation of borrowing costs	516	165
Other	12	13
	1,547	546
Administration and other expenses		
Employee benefits expense		
Defined contribution superannuation	28	42
Share based payment expense	(104)	68
Other employee benefits expenses	1,333	1,623
	1,257	1,733
Depreciation expense		
Right-of-use assets		
Right-of-use assets - buildings	70	34
Right-of-use assets – plant and equipment	21	10
Total depreciation expense right-of-use assets	91	44
Property, plant and equipment		
Furniture and equipment	52	30
	52	30
Total depreciation expense	143	74

8. Other expenses (continued)

	31/12/2020 US$'000	31/12/2019 US$'000
Other expenses		
Corporate and other costs (net of recharges)	587	441
Business development	89	232
Foreign currency (gains)/losses	(16)	14
Total other expenses	660	687
Total Administration and other expenses	2,060	2,494

9. Cash and cash equivalents

	31/12/2020 US$'000	30/06/2020 US$'000
Cash at bank	4,069	16,551
Restricted cash - Debt Service Reserve Account (DSRA)	5,600	-
Balance at end of period	9,669	16,551

On 2nd November 2019, the Company entered into a three-year senior secured US$55 million term debt facility (Facility) with Macquarie Bank Limited (Macquarie). Under the terms of the agreement a Debt Service Reserve Account (DSRA) is required with a balance at 31 December 2020 of at least $5,600,000. The DSRA may only be applied in reduction of the loan.

10. Derivative financial instruments

	31/12/2020 US$'000	30/06/2020 US$'000
Current		
Oil price fixed swaps – held at fair value through profit or loss	399	2,907
Total current derivative financial instrument assets	399	2,907
Non-Current		
Oil price fixed swaps – held at fair value through profit or loss	106	1,254
Total non-current derivative financial instrument assets	106	1,254
Total derivative financial instrument assets	505	4,161

Recognition and measurement

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

11. Oil and gas properties

	31/12/2020 US$'000	30/06/2020 US$'000
Producing and development assets		
At cost		
SM 71 balance at beginning of period	18,890	23,632
SM 71 expenditure for the period	-	768
SM 71 amortisation of assets	(1,886)	(5,510)
SM 71balance at end of period	17,004	18,890
Lightning balance at beginning of period	5,984	1,934
Lightning expenditure for the period	(20)	5,104
Lightning amortisation of assets	(351)	(1,054)
Lightning balance at end of period	5,613	5,984
GC 21 balance at beginning of period	14,919	5,416
GC 21 expenditure for the period	15,444	9,503
GC 21 impairment of assets	(12,850)	-
GC 21 balance at end of period	17,513	14,919
Total oil and gas properties including decommissioning assets	40,130	39,793

Capitalised development and evaluation costs as at 31 December 2020 relate to the SM 71, Lightning and GC 21 oil developments in the Gulf of Mexico (including provision for decommissioning).

Impairment

Assets are tested for impairment in line with AASB 136. Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, which is a product of quantity of reserves, prices, and operating costs, less the cost to sell and value in use. The basis of reserves in the VIU model was 2P reserve volumes for DTR-10 well only, Gross (100%) oil 7,294 Mbbl/Gross (100%) gas 4,377MMcf.

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

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

11. Oil and gas properties (continued)

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

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

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

In the event that future circumstances vary from these assumptions, the recoverable amount of the Group's oil and gas assets could change materially and result in further impairment losses.

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

At 31 December 2020, the Group has assessed the GC-21 Bulleit cash-generating unit and determined that there is a $US12.8 million impairment loss. The asset was written down to it's recoverable value of $US17.5 million under the VIU calculation.

12. Interest bearing loans and borrowings

Borrowings

	31/12/2020 US$'000	**30/06/2020** US$'000
Current Secured		
Balance at the beginning of the period	8,179	-
Repayment of borrowings	(4,600)	9,200
Reclassification of non-current to current borrowings/amortisation costs	4,084	
Less: Facility transaction costs – at cost	-	(1,700)
Add: Facility transaction cost - amortisation	516	679
Balance at the end of the period	8,179	8,179
Non - Current Secured		
Balance at the beginning of the period	10,127	-
Reclassification of non-current to current borrowings/amortisation	(4,084)	
Borrowings – at cost	-	11,500
Less: Facility transaction costs – at cost	-	(1,373)
Balance at the end of the period	6,043	10,127

12. Interest bearing loans and borrowings (continued)

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

At 31 December 2020, $25 million was drawn under the Facility. Under the Facility, Otto issued to Macquarie 42.5 million options to subscribe for fully paid ordinary shares in the Company . These options have vested and an expense of $528,000 was capitalised against borrowings and is amortised over the life of the facility. The fair value of the options was calculated using a Black-Scholes model.

Transaction costs are accounted for under the effective interest rate method. These costs are incremental costs that are directly attributable to the Facility and include Facility origination fees, legal fees and other costs relating to the establishment of the Facility. The balance of unamortised transaction costs (excluding the fair value of options issued) of $1.6 million is offset against the facility borrowings of $25 million. Total capitalised transaction costs relating to the facility agreement are $2.5 million (excluding fair value of options issued).

The facility agreement has certain financial covenants that the Company has to comply with. All such financial covenants have been complied with in accordance with the facility agreement.

13. Contributed equity

a) Share capital

	31/12/20 Number	**30/06/20** Number	**31/12/20** US$'000	**30/06/20** US$'000
Balance at beginning of period	4,795,009,773	2,460,464,725	133,242	125,041
Issue of shares[(i) (ii)] (net of transaction costs)	-	2,334,545,048	(19)	8,201
Balance at end of period	4,795,009,773	4,795,009,773	133,223	133,242

(i) Share placements

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

(ii) Share entitlements:

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

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

14. Share-based payments

There were no performance rights issued to employees or directors for the half year ending 31 December 2020. For the half year ended 31 December 2020, the Group recognised a share-based payments profit of $103,602 in the Consolidated Statement of Profit or Loss and Other Comprehensive Income (31 December 2019: loss $68,154). Included in this expense was a reversal of $133,641 in relation to the following forfeited unlisted performance rights.

14. Share-based payments (continued)

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

15. Fair value measurement

a) Fair values

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

Financial assets measured at fair value[i]		**31/12/2020** US$'000	**30/06/2020** US$'000
Derivative financial assets at fair value through profit and loss	Level 1	-	-
Derivative financial assets at fair value through profit and loss	Level 2	505	4,161
Derivative financial assets at fair value through profit and loss	Level 3	-	-
Total financial assets measured at fair value		505	4,161

<u>Fair value hierarchy</u>
Level 1 – the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

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

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

(i) The fair value of the derivatives were determined based on a "mark to market" approach, calculated based on forward prices relative to contracted prices for contracts held as at 31 December 2020 as disclosed in note 10.

16. Contingent liabilities

There are no contingent liabilities at balance date.

17. Commitments

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

	31/12/2020	31/12/2019
	US$'000	US$'000
Not later than one year	2,703	4,000
Later than one year but not later than five years	2,849	500
	5,552	4,500

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

Under the agreement between Great Bear Petroleum Operating LLC and Borealis Alaska LLC, there is a remaining commitment to take part in two exploration wells with a capped expenditure of $US2.6 million per well. Since 31 December 2020, as disclosed in the ASX announcement dated 20 January 2021, Otto has reached an agreement to sell the Otto subsidiary, Borealis Alaska LLC which holds a 10.8% interest in the 44,463 acre Talitha unit in Alaska to the acreage operator Pantheon Resources subject to Alaskan DNR approval. If the sale of Borealis Alaska LLC is approved, Otto will no longer have this obligation.

	31/12/2020	31/12/2019
	US$'000	US$'000
Capital expenditure contracted for at the reporting date but not recognised as liabilities are as follows:		
Not later than one year	4,836	11,590
	4,836	11,590

Capital expenditure commitments at reporting date relate to committed development costs on GC 21 Bulleit. Commitments are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

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

18. Related parties

Effective 1 April 2020, the Board of Directors engaged Mr John Jetter to serve as a consultant to the Company, to perform any services required by the Company. Under the terms of the consultancy agreement, Mr Jetter is to consult for a maximum of three days per week at a rate of AUD$2,500 per day. For the six months ended 31 December 2020, Mr Jetter earned AUD$62,500 under this consultancy agreement. With the hiring of Mr Utsler in September 2020, it is not expected that Mr Jetter will continue to serve as a consultant.

19. Events after the reporting period

Since 31 December 2020 the following material events have occurred:

Alaska – North Slope (Central Blocks)

On 20 January 2021, the Company announced that it had sold its subsidiary, Borealis Alaska LLC (Borealis) which holds a 10.8% interest in the 44,463-acre Talitha Unit in Alaska, to Pantheon. Under the terms of the sale, Otto will receive 14,272,592 shares in Pantheon Resources Plc (London Stock Exchange: PANR) in exchange for Borealis Alaska LLC. The shares will be subject to a lock up period through 30 June 2021. Otto will retain an existing 0.5% of 8/8ths ORRI in any future production from the Talitha unit. The sale is subject to Alaskan DNR approval.

On 18 February 2021, the Company announced that Pantheon had provided an operations update in relation to the well.

Borrowings

On 21 January 2021, the Company announced that the Credit Facility had been amended as follows:

- Extend Tranche A2 out until 31 March 2022
- Establish the timing for a GC 21 mitigation plan to be developed and implemented (by 31 July 2021)
- Establish a minimum quarterly average production requirement of 1,900 boepd until the GC 21 mitigation is completed (Otto Net WI volume)

Commodity price risk management

- In January 2021, the Company added hedges for an additional 35,000 barrels for 2021 at $50.50 and an additional 4,500 barrels for 2022 at $50.50.
- In March 2021, the Company added hedges for an additional 7,439 barrels for 2021 at $59.90 and an additional 12,821 barrels for 2022 at $55.90, resulting in a weighted average LLS price of US$51.70 for the remainder of CY 2021 and US$49.92 for CY 2022 (on forecasted SM 71 and Lightning volumes), resulting in a total hedge book of 408,368 barrels of oil hedged through September 2022 via swaps, at a weighted average LLS price of US$51.14.

No other matters or circumstances have arisen since 31 December 2020 that would have a material impact on the Group's operations.

DIRECTORS' DECLARATION

For the half-year ended 31 December 2020

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

1. In the opinion of the Directors:

   a. the financial statements and notes of Otto Energy Limited for the half-year ended 31 December 2020 are in accordance with the *Corporations Act 2001,* including:

      (i) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and

      (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

   b. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Mike Utsler

Mr M Utsler
Director
10 March 2021

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Otto Energy Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Otto Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch

Director

Perth, 10 March 2021