H1 FY24 FINANCIAL RESULTS

Otto Energy Limited (ASX:OEL) (**Otto** or the **Company**) is pleased to provide its financial results for the half year ended 31 December 2023.

Strategy

- The Board of Directors announced during 2023 a strategic review of the Company and initiated an M&A process seeking a sale of the Company or substantially all of the assets. The Board of Directors will only consider and recommend a sale transaction that maximises value to shareholders.

- As part of the strategic review process, Otto announced a return to shareholders of up to A$40 million, or A$0.008 per share. Refer ASX announcement 27 October 2023. This distribution was approved by shareholders at the Annual General Meeting held on 30 November 2023.

- On 23 February 2024, the Company announced an update to the timetable for return of capital to the market. Otto is seeking a ruling from the Australian Taxation Office deeming the distribution to shareholders be a tax free return of capital. Otto believes the ruling will be received by the end of April 2024 although no assurances can be made as to the outcome of the ruling request or the timing of receipt of such ruling.

- The strategic direction to reduce overhead costs has resulted in a **25% reduction in G&A costs** compared to prior period (H1 FY2024 US$2.2 million; H1 FY2023 US$2.9 million). Personnel changes, including reductions to Director fees equate to an annualised cost saving of over US$1 million with additional overhead cost reductions expected.

Further Enhanced Liquidity

- Balance date cash of US$34.1 million (30 June 2023 US$25.9 million) with zero debt.
- Remaining interest in Pantheon Resources plc (LSE: PANR) sold for net proceeds of US$1.05 million.
- Net positive cashflow of US$8.3 million includes US$5.8 million of insurance proceeds in relation to a Control of Well insurance claim at GC 21 (H1 FY2023 net cash outflow US$1.21 million).

Financial Outcomes

- Production decreased by 31% (WI Basis) to 1,750 boe/d at 49% liquids (H1 FY2023: 2,526 boe/d at 58% liquids) driven predominantly by normal field decline and scheduled maintenance on SM-71.
- Net Operating Revenue US$10.9 million (H1 FY 2023: US$21.4 million), a 49% decrease attributable to a combination of reduced production and lower oil, gas and NGL prices:

	H1 FY24	H1 FY23	% Change
Avg oil price ($/Bbl)	76.77	86.25	-11%
Avg gas price ($/Mmbtu)	2.49	6.08	-59%
Avg NGL price ($/Bbl)	15.95	29.91	-47%

- EBITDA US$4.9 million (H1 FY2023 US$12.1 million) a reduction from prior year predominantly driven by lower revenue on all assets.
- Net profit after tax (excluding impairment) US$3.7 million (H1 FY2023 US$11.9 million)
- Net loss after tax US$5.6 million (H1 FY2023 profit US$11.9 million) as a result of US$9.3 million impairment on GC-21.

Operations

The below table summarizes the Company's production, WI revenue and prices received during the six months ended 31 December 2023 and 2022:

	H1 FY24	H1 FY23	% Change
Total Oil (Bbls)	126,612	234,938	-46%
Total Gas (Mcf)	976,210	1,159,052	-16%
Total NGLs (Bbls)	32,598	36,673	-11%
Total BOE	321,912	464,786	-31%
Total (Boe/d)	1,750	2,526	-31%
Percent Liquids (%)	49%	58%	-15%
Total WI Revenue (US$MM)	12.8	28.8	-55%

Included in the H1 FY2024 production figures is the "Bulleit" appraisal well located at GC 21. The well has performed significantly below oil production forecast with an increasing gas to oil ratio (GOR) and higher operating costs than expected. As a result, the Company engaged Ryder Scott Company, a qualified external petroleum engineering consultant, to revise its independent assessment of the GC 21 reserves. After reviewing the results of the revised reserves estimates, the Company recognised an impairment loss of US$9.3 million. The revised GC 21 reserves as at 31 December 2023 are set out in the table below:

Green Canyon 21	Gross (100%)			Net (13.34%)		
	Oil+NGL (Mbbl)	Gas (MMCF)	MBOE	Oil+NGL (Mbbl)	Gas (MMCF)	MBOE
Proved Producing	636	1,081	816	85	115	104
Proved Behind Pipe	-	-	-	-	-	-
Proved Undeveloped	-	-	-	-	-	-
Proven (1P)	**636**	**1,081**	**816**	**85**	**115**	**104**
Probable	251	426	322	34	46	42
Proven Plus Probable (2P)	**887**	**1,507**	**1,138**	**119**	**161**	**146**
Possible	262	445	336	35	48	43
Proven Plus Probable Plus Possble (3P)	**1,149**	**1,952**	**1,474**	**154**	**209**	**189**

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 CEO, STEVE HEROD

"Otto continues to deliver a disciplined approach to capital management, which is complemented by a strong, debt-free balance sheet and over US$34 million cash. The Company remains committed to enhancing shareholder value, as evidenced by our plan to return up to A$40 million, or A$0.008 per share to shareholders. We have made significant reductions to our cost structure that will result in annualized cost savings of over US$1 million."

This announcement has been approved for release by the Board of Otto Energy Limited.

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 production from its SM 71, GC 21, Mosquito Bay West and Oyster Bayou South fields in the Gulf of Mexico and production from its Lightning assets in onshore Texas. Cashflow from its producing assets underpins its strategy and financial stability.

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

CHIEF EXECUTIVE OFFICER
Steve Herod

CHIEF FINANCIAL OFFICER
Julie Dunmore

ASX Code: OEL

COMPANY SECRETARY
Kaitlin Smith (AE Administrative Services)

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Definitions	
"bbl" = barrel "bbls" = barrels "bopd" = barrels of oil per day "Mbbl" = thousand barrels "Mscf" = 1000 standard cubic feet "NGLs" = natural gas liquids "MMscf" = million standard cubic feet "Mmbtu" = million British thermal units	"Mboe" = 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 "MMboe" = million barrels of oil equivalent ("boe") with a boe determined on the same basis as above "NRI" means Net Revenue Interest "WI" means Working Interest

Forward Looking Statements

This document may include forward looking statements. Forward looking statements include, but are not necessarily limited to, statements concerning Otto's production and other statements that are not historic facts. When used in this document, the words such as "could", "plan", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions are forward looking statements. Although Otto believes its expectations reflected in these statements are reasonable, such statements involve risks and uncertainties, and no assurance can be given that actual results will be consistent with these forward-looking statements.

Appendix 1 - Reconciliation of non-IFRS financial information

Where indicated, this announcement also contains some non-IFRS financial information, including in the H1 FY24 Highlights. Below is a reconciliation of non-IFRS financial information to reviewed IFRS financial information. EBITDA (earnings before interest, tax, depreciation, impairment and depletion), EBIT (earnings before interest and tax), are non IFRS measures that are presented to provide investors with further information and perspective on the overall financial performance and operations of the Company. The non-IFRS financial information is 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 information.

	US$(000)		$/Boe	
	H1 FY24	**H1 FY23**	**H1 FY24**	**H1 FY23**
Operating revenue, net of royalties	10,914	21,371	33.90	45.98
Gathering and production charges (opex)	(3,648)	(2,928)	(11.33)	(6.30)
Cash Operating Gross Profit	**7,266**	**18,443**	**22.57**	**39.68**
Gain/(loss) on derivatives	-	1,501	-	3.23
Net admin costs (G&A) *	(2,178)	(2,905)	(6.77)	(6.25)
New ventures and business development costs	(152)	(179)	(0.47)	(0.39)
(Loss)/gain on investments at fair value	520	(1,873)	1.62	(4.03)
Exploration expenditures	(514)	(2,844)	(1.60)	(6.12)
Other income	1	-	0.00	-
EBITDA	**4,943**	**12,143**	**15.36**	**26.13**
Impairment losses	(9,297)	-	(28.88)	-
Amortisation of capitalised developments	(1,728)	(2,091)	(5.37)	(4.50)
Depreciation - admin	(28)	(33)	(0.09)	(0.07)
EBIT	**(6,110)**	**10,019**	**(18.98)**	**21.56**
Finance income/(costs)	571	(815)	1.77	(1.75)
Net profit/(loss) before tax	**(5,539)**	**9,204**	**(17.21)**	**19.80**
Tax	(41)	2,743	(0.13)	5.90
Net profit/(loss) after tax	**(5,580)**	**11,947**	**(17.33)**	**25.70**
Net profit after tax (excluding impairment)	**3,717**	**11,947**	**11.55**	**25.70**
* Net admin costs (G&A) includes:				
employee benefits	(1,022)	(1,997)	(3.17)	(4.30)
corporate costs	(1,168)	(904)	(3.63)	(1.94)
FX losses	12	(4)	0.04	(0.01)
Net admin costs (G&A)	**(2,178)**	**(2,905)**	**(6.77)**	**(6.25)**

OTTO ENERGY LIMITED

ABN: 56 107 555 046

Half-year financial report

31 December 2023

CONTENTS

CORPORATE DIRECTORY

Directors	Mr John Jetter – Non-Executive Director Mr John Madden – Non-Executive Director Mr Geoff Page – Non-Executive Director Mr Paul Senycia – Non-Executive Director
Company Secretary	Ms Kaitlin Smith
Key Executives	Mr Steve Herod – Chief Executive Officer Ms Julie Dunmore – Chief Financial Officer Mr Philip Trajanovich – Senior Vice President and Chief Commercial Officer
Principal registered office in Australia	Ground Floor 70 Hindmarsh Square Adelaide SA 5000 Tel: + 61 8 6467 8800 Fax: + 61 8 6467 8801
Houston Office	717 Texas Avenue Suite 1200 Houston, TX 77002 Tel: +1 713-893-8894
Share Registry	Link Market Services Limited Level 12 QV1 Building 250 St Georges Terrace Perth WA 6000 Tel: + 61 8 9211 6670 Fax: + 61 2 9287 0303
Auditors	BDO Audit (WA) Pty Ltd Level 9, Mia Yellagonga Tower 2 5 Spring Street Perth WA 6000 Tel: + 61 8 6382 4600 Fax: + 61 8 6382 4601
Securities Exchange Listing	Australian Securities Exchange 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 2023

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 2023 (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.

Mr John Jetter
Mr John Madden
Mr Geoff Page
Mr Paul Senycia

Company Secretary

Ms Kaitlin Smith

Strategy

The Board of Directors announced during 2023 a strategic review of the Company and initiated an M&A process seeking a sale of the Company or substantially all of the assets. The sale process has proven difficult and protracted due to challenging market conditions by way of lower crude oil and natural gas prices and higher inflation and interest rates. The global environment has also proven complicated with the wars in Ukraine and the Middle East as well as uncertainty over responses by governments to climate change. The Board of Directors will only consider and recommend a sale transaction that maximises value to shareholders.

As part of this strategic review process, the Board of Directors concluded that surplus cash balances should be returned to shareholders and accordingly, shareholders formally approved, at the last annual general meeting, a return of capital of up to A$40 million, or A$0.008 per share (see ASX Announcements on 27 October 2023 and 23 February 2024). At that time, the Company commenced the process to secure from the Australian Taxation Office a class ruling that the return of capital can be made by way of a deemed tax-free return of capital. Otto expects a ruling from the ATO to be received by the end of April 2024 although no assurances can be made as to the outcome of the ruling request or the timing of receipt of such ruling.

The Company has also implemented several changes to its operations by reducing personnel and lowering its cost structure, including reducing Director fees. The personnel changes are expected to reduce costs by approximately US$1 million on an annual basis. The Board of Directors will critically review all future investment to ensure shareholder value is maximized.

The Company will continue to pursue the sale of the Company; however, the Board of Directors will only recommend a transaction if and when it obtains terms which are in the best interests of all shareholders.

Operating and Financial Review

Financial Position

As at 31 December 2023, the Company had total assets of US$51.2 million (June 2023: US$60.8 million) and total liabilities of US$8.4 million (June 2023: US$12.3 million), resulting in net assets of US$42.8 million (June 2023: US$48.4 million). Included in these amounts was cash of US$34.1 million (June 2023: US$25.9 million).

Production and Development

Summary Production Volumes Table (WI)

	H1 FY24	H1 FY23	% Change
Total Oil (Bbls)	126,612	234,938	-46%
Total Gas (Mcf)	976,210	1,159,052	-16%
Total NGLs (Bbls)	32,598	36,673	-11%
Total BOE	321,912	464,786	-31%
Total (Boe/d)	1,750	2,526	-31%
Percent Liquids (%)	49%	58%	-15%
Total WI Revenue (US$MM)	12.8	28.8	-55%
Oil revenue ($millions)	9.7	20.3	-52%
Avg oil price ($/Bbl)	76.77	86.25	-11%
Gas revenue ($millions)	2.5	7.4	-67%
Avg gas price ($/Mmbtu)	2.49	6.08	-59%
NGL revenue ($millions)	0.5	1.1	-53%
Avg NGL price ($/Bbl)	15.95	29.91	-47%
Total revenue ($millions)	12.7	28.8	-56%
Avg WA price ($/Boe)	39.45	61.89	-36%

The figures reported above and below are on a working interest basis. On a net revenue interest basis, after accounting for royalties and taxes, total net revenue for the Company for H1 FY24 and H1 FY23 was US$10.9 million and US$21.4 million, respectively, as shown on the Consolidated Statement of Profit or Loss.

The decrease in production is attributable to decreased production at South Marsh 71, Lightning, Mosquito Bay West and Oyster Bayou South due to normal field decline and downtime for various scheduled maintenance and repairs. SM 71 was shut in for over three weeks in September 2023.

Operating Results

Consolidated net loss from operations after income tax for the half-year ended 31 December 2023 was US$5.6 million (Net profit after income tax 2022:US$11.9 million). This deterioration was primarily driven by a US$9.3 million impairment on GC-21 and impacted by reduced sales revenue, partially offset by lower finance costs, exploration and administration costs.

Net revenue for the current half-year was US$10.9 million (2022: US$21.4 million), a decrease attributable to a 33% decrease in production, an 11% decrease in crude oil prices, a 59% decrease in natural gas prices and a 47% decrease in natural gas liquids prices.

Financing costs for the current half-year were US$0.1 million (2022: US$0.8 million) coinciding with the repayment of the Company's credit facility with Macquarie Bank, which was paid off in September 2022.

Gain on derivatives for the current half-year was nil (2022:US$1.5 million). The company has not held any hedged positions for the current reporting period.

Cost of sales for the current half-year was US$5.4 million (2022: US$5.0 million), an increase associated with the return to production of GC-21.

Exploration expenditure during the current half-year was US$0.5 million (2022: US$2.8 million). Any new well at existing projects will be considered on a case-by-case basis where the value is maximised and the risks are extremely low.

Gain on investments (net of transaction costs) for the current half-year was US$0.5 million (2022: Loss of US$1.9 million), which was attributable to an increase in the value of the 3,272,492 shares of Pantheon Resources Plc (LSE: PANR) held by the Company. The entire holding of PANR shares was sold in November and December 2023 for net proceeds of US$1.05 million.

Administrative expenses for the current half-year were US$2.4 million (2022:US$3.1 million), which is driven by the strategic direction of the Company to reduce overhead costs. Personnel costs, including reductions to Director fees have been reduced with cost savings of over US$1 million annually. The Board and management continue to pursue additional cost reductions.

Commodity Price Risk Management

As at 31 December 2023, Otto did not have any open hedge positions.

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 2023 and 2022 as follows:

SM 71 Production Volumes		H1 FY24	H1 FY23	% Change
WI (50.0%)	Oil (bbls)	71,764	166,440	-57%
	Gas (Mscf)	61,525	127,477	-52%
	Total (Boe)	82,018	187,686	-56%
	Total (Boepd)	446	1,020	-56%
NRI (40.6%)	Oil (bbls)	58,308	135,232	-57%
	Gas (Mscf)	49,989	103,575	-52%
	Total (Boe)	66,640	152,495	-56%
	Total (Boepd)	362	829	-56%

SM 71 Sales Revenue		H1 FY24	H1 FY23	% Change
WI (50.0%)	Oil - $ per bbl	$ 75.25	$ 86.79	-13%
	Gas – $ per Mmbtu	$ 3.05	$ 6.63	-54%
	Total – US$million	$ 5.6	$ 15.4	-64%

Production volumes for the current half-year were below production volumes for the prior half-year due to normal field decline. The SM-71 pipeline was shut in for scheduled maintenance and repairs in early September 2023. The field was shut in for over three weeks and returned to production in late September 2023. In addition to the decrease in production, sales revenues declined due to lower crude oil prices and natural gas prices. Crude oil and natural gas prices were 13% and 54%, respectively, lower than the previous half-year.

Beginning in late June 2022, the F3 began producing water, consistent with Otto's mapping and reservoir modelling. Water cut from the SM 71 F3 well continues to increase and averaged approximately 89% for the December 2023 quarter. The F1, updip to the F3, continues to produce water-free.

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 (27.8% NRI) in this field, with production for the half-year ended 31 December 2023 and 2022 as follows:

Lightning Volumes		H1 FY24	H1 FY23	% Change
WI (37.5%)	Oil (bbls)	22,615	26,088	-13%
	Gas (Mscf)	738,724	804,127	-8%
	NGLs (bbls)	25,085	28,274	-11%
	Total (Boe)	170,821	188,384	-9%
	Total (Boepd)	928	1,024	-9%
NRI (27.8%)	Oil (bbls)	16,790	19,498	-14%
	Gas (Mscf)	548,457	601,078	-9%
	NGLs (bbls)	18,624	21,137	-12%
	Total (Boe)	126,824	140,815	-10%
	Total (Boepd)	689	765	-10%

Lightning Sales Revenue		H1 FY24	H1 FY23	% Change
WI (37.5%)	Oil - $ per bbl	$ 78.71	87.96	-11%
	Gas – $ per Mmbtu	$ 2.42	6.03	-60%
	NGLs – $ per bbl	$ 15.95	32.24	-51%
	Total – US$million	$ 4.0	8.1	-51%

Production volumes for the current half-year were lower than production volumes for the prior half-year due to normal field declines. In addition to the decrease in production, sales revenues declined due to lower crude oil, natural gas and natural gas liquids prices. Crude oil, natural gas and natural gas liquids prices were 11%, 60%, and 51%, respectively, lower than the previous half-year.

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, future wells could test the ability to stimulate the Tex Miss 2/3 zone and unlock its significant upside potential.

Gulf of Mexico (State of Louisiana waters) – Oyster Bayou South

The Oyster Bayou South prospect was spud in June 2022 in state waters in Terrebonne Parish, Louisiana, and encountered proved net gas pay of 68 feet TVT (True Vertical Thickness) Miocene pay. This was consistent with Otto's expectations.

Beginning in November 2022, the well began producing small amounts of water, with a water cut of approximately 10%. Since then, the water rate has continued to increase while the oil rate has declined. During December 2023, the average water cut was approximately 87%.

Production began in September 2022. Otto owns a 30% WI (22.7% NRI) in this field, with production for the half-year ended 31 December 2023 as follows:

Oyster Bayou South Production Volumes		H1 FY24	H1 FY23	% Change
WI (30%)	Oil (bbls)	9,740	34,420	-72%
	Gas (Mscf)	28,045	91,026	-69%
	NGLs (bbls)	1,015	3,412	-70%
	Total (Boe)	15,429	53,003	-71%
	Total (Boepd)	84	288	-71%
NRI (22.8%)	Oil (bbls)	7,354	26,159	-72%
	Gas (Mscf)	21,174	69,180	-69%
	NGLs (bbls)	766	2,593	-70%
	Total (Boe)	11,649	40,282	-71%
	Total (Boepd)	63	219	-71%

Oyster Bayou South Sales Revenue		H1 FY24	H1 FY23	% Change
WI (30%)	Oil - $ per bbl	$ 81.11	82.75	-2%
	Gas – $ per MMbtu	$ 2.60	6.51	-60%
	NGLs – $ per bbl	$ 19.70	21.55	-9%
	Total – US$million	$ 0.9	3.5	-75%

Gulf of Mexico (State of Louisiana waters) – Mosquito Bay West

The Mosquito Bay West prospect was spud in May 2022 in state waters in Terrebonne Parish, Louisiana, and encountered a proved net gas pay of 111 feet TVT (True Vertical Thickness) across five separate Miocene intervals, plus another 10 feet TVT potential pay in one other sand that is considered probable or possible. This represents a higher net pay count than Otto was originally expecting. Production began in August 2022. Otto owns a 30% WI (22.4% NRI) in this field, with production for the half-year ended 31 December 2023 and 2022 as follows:

Mosquito Bay West Production Volumes		H1 FY24	H1 FY23	% Change
WI (30%)	Oil (bbls)	4,317	7,582	-43%
	Gas (Mscf)	124,315	126,762	-2%
	NGLs (bbls)	4,497	4,756	-5%
	Total (Boe)	29,533	33,465	-12%
	Total (Boepd)	161	182	-12%
NRI (22.4%)	Oil (bbls)	3,216	5,649	-43%
	Gas (Mscf)	92,615	94,438	-2%
	NGLs (bbls)	3,350	3,543	-5%
	Total (Boe)	22,002	24,932	-12%
	Total (Boepd)	120	135	-12%

Mosquito Bay West Sales Revenue		H1 FY24	H1 FY23	% Change
WI (30%)	Oil - $ per bbl	$ 81.07	84.1	-4%
	Gas – $ per MMbtu	$ 2.59	6.6	-61%
	NGLs – $ per bbl	$ 13.34	21.7	-39%
	Total – US$million	$ 0.7	1.6	-54%

Gulf of Mexico – Green Canyon 21 (GC-21)

Otto owns a 16.67% WI (13.34% NRI) in this field, with production for the half-year ended 31 December 2023 and 2022 as follows:

GC 21 Production Volumes		H1 FY24	H1 FY23	% Change
WI (16.67%)	Oil (bbls)	18,176	378	n/a
	Gas (Mscf)	23,601	3,730	n/a
	NGLs (bbls)	2,001	230	n/a
	Total (Boe)	24,111	1,230	n/a
	Total (Boepd)	131	7	n/a
NRI (13.3%)	Oil (bbls)	14,541	302	n/a
	Gas (Mscf)	18,881	2,984	n/a
	NGLs (bbls)	1,601	184	n/a
	Total (Boe)	19,289	984	n/a
	Total (Boepd)	105	5	n/a

GC 21 Sales Revenue		H1 FY24	H1 FY23	% Change
WI (16.67%)	Oil - $ per bbl	$ 77.02	92.49	-17%
	Gas – $ per Mmbtu	$ 2.49	5.52	-55%
	NGLs – $ per bbl	$ 19.99	37.01	-46%
	Total – US$million	$ 1.5	0.07	n/a

Production volumes and revenue for the current half year were significantly higher than those of the prior half year due to shutting in the well in August 2022 to begin recompletion operations.

In January 2023, Otto and the operator of GC 21, both filed a Control of Well event claim with their respective insurance carriers regarding the recompletion at GC 21. During the recompletion, the tubing string, control lines and clamps were damaged, and the 14-inch casing was found to be parted below the mudline. Once the loss of control was encountered, it took numerous attempts, tests, and work to determine the issues. On 5 February 2023, recompletion operations resumed and the well was put on production in March 2023.

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

The Company announced it had received US$5.8 million in relation to the insurance claim as an interim payment in August 2023. Otto received confirmation of the final settlement payment relating to the claim in December 2023 with US$1.75 million received in Q1 of 2024.

The GC-21 well has performed significantly below forecast on oil production and with an increasing gas to oil ratio (GOR) and higher operating costs than expected. As a result, the Company engaged Ryder Scott Company, a qualified external petroleum engineering consultant, to revise its independent assessment of the GC 21 reserves. After reviewing the results of the revised reserves estimates, the Company recognised an impairment loss of US$9.3 million. The revised GC 21 reserves as at 31 December 2023 are set out in the table below:

Green Canyon 21	Gross (100%)			Net (13.34%)		
	Oil+NGL (Mbbl)	Gas (MMCF)	MBOE	Oil+NGL (Mbbl)	Gas (MMCF)	MBOE
Proved Producing	636	1,081	816	85	115	104
Proved Behind Pipe	-	-	-	-	-	-
Proved Undeveloped	-	-	-	-	-	-
Proven (1P)	**636**	**1,081**	**816**	**85**	**115**	**104**
Probable	251	426	322	34	46	42
Proven Plus Probable (2P)	**887**	**1,507**	**1,138**	**119**	**161**	**146**
Possible	262	445	336	35	48	43
Proven Plus Probable Plus Possble (3P)	**1,149**	**1,952**	**1,474**	**154**	**209**	**189**

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

South Timbalier 48 Lease

Otto was awarded and continues to hold the lease on South Timbalier 48 (ST 48).

Pantheon Shareholding (LSE:PANR)

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

Liquidity and Debt

Otto's cash on hand at 31 December 2023 was approximately US$34.1 million (June 2023: US$25.9 million) with the Company having no outstanding debt.

Option Issue

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

Significant Events after Balance Sheet Date

Otto received proceeds of US$5.8 million in relation to a Control of Well insurance claim at GC 21 in August 2023. Otto received the final adjustment report in December 2023 indicating a final settlement amount of US$1.75 million due to Otto. These funds were received in Q1 2024.

The Company announced an update on the timetable for return of capital to the market per ASX announcement 23 February 2024. Otto believes a ruling may be received by the end of April 2024 although no assurances can be made as to the outcome of the ruling request or the timing of receipt of such ruling.

No other matters or circumstances have arisen since 31 December 2023 that would have a material impact on the Group's operations.

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

Mr John Jetter
Chairman
11 March 2024

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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 2023, 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

11 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2023

	Note	**31/12/2023** US$'000	**31/12/2022** US$'000
Operating revenue (net)	5	10,914	21,371
Cost of sales	6	(5,376)	(5,019)
Gross Profit		**5,538**	**16,352**
Interest income	5	708	-
Impairment	10	(9,297)	-
Exploration expenditure		(514)	(2,844)
Gains/(losses) on investments at fair value	7	520	(1,873)
Finance costs	8	(136)	(815)
Gains on derivatives		-	1,501
Administration and other expenses	8	(2,358)	(3,117)
Profit/(loss) before income tax		**(5,539)**	**9,204**
Income tax (expense)/reversal	9	(41)	2,743
Profit/(loss) after income tax for the period		**(5,580)**	**11,947**
Other comprehensive income that may be recycled to profit or loss			
Other comprehensive income		-	-
Total comprehensive income/(loss) for the period		**(5,580)**	**11,947**
Earnings per share			
Basic income/(loss) per share (US cents)		(0.12)	0.25
Diluted income/(loss) per share (US cents)		(0.12)	0.25

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	31/12/2023 US$'000	30/06/2023 US$'000
Current assets			
Cash equivalents		34,120	25,851
Trade and other receivables		3,619	2,110
Financial assets at fair value through profit or loss	11	-	529
Prepayments and other assets		174	525
Total current assets		**37,913**	**29,015**
Non-current assets			
Oil and gas properties	10	12,242	30,687
Property, plant and equipment		61	88
Other assets		1,000	1,000
Total non-current assets		**13,303**	**31,775**
Total assets		**51,216**	**60,790**
Current liabilities			
Trade and other payables		1,907	4,648
Provisions		132	1,473
Total current liabilities		**2,039**	**6,121**
Non-current liabilities			
Provisions		6,347	6,223
Total non-current liabilities		**6,347**	**6,223**
Total liabilities		**8,386**	**12,344**
Net assets		**42,830**	**48,446**
Equity			
Contributed equity		133,170	133,170
Reserves		10,470	10,506
Accumulated losses		(100,810)	(95,230)
Total equity		**42,830**	**48,446**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2023

	Contributed equity	**Share-based payments reserve**	**Accumulated losses**	**Total**
	US$000	US$000	US$000	US$000
Balance at 1 July 2022	133,170	10,506	(88,224)	55,452
Profit for the period	-	-	11,947	11,947
Total comprehensive income for the period	-	-	11,947	11,947
Transactions with owners in their capacity as owners:				
Equity benefits issued to Advisors	-	-	-	-
Equity benefits issued to employees	-	-	-	-
Balance at 31 December 2022	133,170	10,506	(76,277)	67,399
Balance at 1 July 2023	133,170	10,506	(95,230)	48,446
Loss for the period	-	-	(5,580)	(5,580)
Total comprehensive income for the period	-	-	(5,580)	(5,580)
Transactions with owners in their capacity as owners:				
Equity benefits issued to Advisors	-	-	-	-
Reversal of equity benefits issued to employees	-	(36)	-	(36)
Balance at 31 December 2023	133,170	10,470	(100,810)	42,830

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 2023

	31/12/2023 US$'000	31/12/2022 US$'000
Cash flows from operating activities		
Oil and gas sales (net of royalties)	11,296	23,300
Payments to suppliers and employees	(6,802)	(10,460)
Payments for exploration and evaluation	(513)	(2,591)
Payments on settlement of derivative financial instruments	-	(1,809)
Net interest received/(paid)	568	(405)
Income tax paid	(1,388)	-
Other income/(expenses)	1	(21)
Net cash inflow from operating activities	**3,162**	**8,014**
Cash flows from investing activities		
Proceeds from sale of investments	1,048	-
Proceeds from insurance claim	5,800	-
Payments for (purchase)/sale of investments	-	(500)
Net of (payments)/credits for development	(1,746)	(6,413)
Bond for development asset	-	(50)
Net cash inflow/(outflow) used in investing activities	**5,102**	**(6,963)**
Cash flows from financing activities		
Transaction costs of borrowings	(7)	(2,300)
Net cash outflow from financing activities	**(7)**	**(2,300)**
Net increase/(decrease) in cash and cash equivalents	8,257	(1,249)
Cash and cash equivalents at the beginning of the half-year	25,851	26,764
Effects of exchange rate changes on cash	12	(3)
Cash and cash equivalents at the end of the half-year	**34,120**	**25,512**

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

1. Corporate information

The half-year consolidated financial report of the Group for the six months ended 31 December 2023 was authorised for issue in accordance with a resolution of the Directors on 11 March 2024.

Otto Energy Limited is a company incorporated and domiciled in Australia whose shares are publicly traded. The principal activities of the Group are described in the consolidated financial statements of the Group for the year ended 30 June 2023 which are available at www.ottoenergy.com and ASX announcements.

2. Basis of preparation

The half-year consolidated financial report for the six months ended 31 December 2023 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 2023 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 2023 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 2023 and comparable period is as follows:

31 December 2023	**Gulf of Mexico (USA)**	**Other**	**Consolidated**
	US$'000	US$'000	US$'000
Operating revenue	10,914	-	10,914
Cost of sales	(5,376)	-	(5,376)
Gross profit	**5,538**	**-**	**5,538**
Interest and other income	451	257	708
Impairment	(9,297)	-	(9,297)
Exploration expenditure	(514)	-	(514)
Gain on investments at fair value	520	-	520
Finance costs	(133)	(3)	(136)
Administration and other expenses	(1,499)	(859)	(2,358)
Profit/(loss) before income tax	**(4,934)**	**(605)**	**(5,539)**
Income tax (expense)/reversal	-	(41)	(41)
Profit/(loss) after income tax for the period	**(4,934)**	**(646)**	**(5,580)**
31 December 2023			
Total non-current assets	13,300	3	13,303
Total assets	40,648	10,568	51,216
Total liabilities	8,020	366	8,386

4. Segment information (continued)

31 December 2022	**Gulf of Mexico (USA)**	**Other**	**Consolidated**
	US$'000	US$'000	US$'000
Operating revenue	21,371	-	21,371
Cost of sales	(5,019)	-	(5,019)
Gross profit	**16,352**	**-**	**16,352**
Exploration expenditure	(2,844)	-	(2,844)
Gain on investments at fair value	-	(1,873)	(1,873)
Finance costs	(812)	(3)	(815)
Administration and other expenses	(2,205)	(912)	(3,117)
Gains/Losses on derivatives	1,501	-	1,501
Profit/(loss) before income tax	**11,992**	**(2,788)**	**9,204**
Income tax (expense)/reversal	2,898	(155)	2,743
Profit/(loss) after income tax for the period	**14,890**	**(2,943)**	**11,947**
30 June 2023			
Total non-current assets	31,772	3	31,775
Total assets	48,990	11,800	60,790
Total liabilities	10,534	1,810	12,344

5. Revenue and other income

	31/12/2023	**31/12/2022**
	US$'000	US$'000
South Marsh 71 (SM 71) Sales(i)		
Oil Sales	5,398	14,437
Gas Sales	218	1,004
Total Sales	5,616	15,441
Less: Royalties(i)	(1,046)	(2,884)
SM 71 Operating Revenue (Net)	4,570	12,557
Lightning Sales(ii)		
Oil Sales	1,254	1,570
Gas Sales	2,017	3,287
Natural Gas Liquids Sales	691	816
Lightning Operating Revenue (Net)	3,962	5,673
GC 21 Sales(iii)		
Oil Sales	1,401	35
Gas Sales	63	26
Natural Gas Liquids Sales	34	17
Total Sales	1,498	78
Less: Royalties(iii)	(281)	(14)
GC 21 Operating Revenue (Net)	1,217	64

5. Revenue and other income (continued)

	31/12/2023 US$'000	31/12/2022 US$'000
Mosquito Bay West Sales(ii)		
Oil Sales	208	358
Gas Sales	271	549
Natural Gas Liquids Sales	60	64
Mosquito Bay West Revenue (Net)	539	971
Oyster Bayou South Sales(ii)		
Oil Sales	560	1,643
Gas Sales	54	403
Natural Gas Liquids Sales	12	45
Oyster Bayou South Operating Revenue (Net)	626	2,091
Vick #1 Sales(ii)		
Gas Sales	-	15
Vick #1 Revenue (Net)	-	15
Total Operating Revenue (Net)	10,914	21,371
Interest and other income	708	-
	708	-

(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, Mosquito Bay West, Oyster Bayou South and Vick #1 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.

6. Cost of Sales

	31/12/2023 US$'000	31/12/2022 US$'000
Gathering and Production charges	3,648	2,928
Depreciation of capitalised developments	1,728	2,091
Total Cost of Sales	5,376	5,019

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

	31/12/2023 US$'000	**31/12/2022** US$'000
Gain/(loss) on fair value of Pantheon Resources Plc shares (net of transaction costs)	520	(1,873)
Total Gain/(loss) on fair value of investments	520	(1,873)

The Company sold the remaining 3,272,492 shares of Pantheon Resources Plc (London Stock Exchange: PANR), in November and December 2023. The Company continues to hold a 0.5% of 8/8ths overriding royalty interest (ORRI) in any future production from the Talitha Unit in Alaska, which is operated by Pantheon.

Gain on investments (net of transaction costs) for the current half year was US$0.5 million which was attributable to the 3,272,492 shares of PANR held by the Company. Prior year loss (net of transactions costs) was $1.9 million.

8. Other expenses

	31/12/2023 US$'000	**31/12/2022** US$'000
Finance costs		
Interest and commitment fees on borrowings	3	408
Interest expense leases	-	-
Amortisation of borrowing costs	7	378
Accretion of decommissioning fund	126	29
Total finance costs/(income)	136	815
Administration and other expenses		
Employee benefits expense		
Defined contribution superannuation	35	25
Share based payment expense	(36)	-
Other employee benefits expenses	1,023	1,972
Total employee benefits expense	1,022	1,997
Depreciation expense		
Property, plant and equipment		
Furniture and equipment	28	33
Total depreciation expense	28	33
Other expenses		
Corporate and other costs (net of recharges)	1,168	904
Business development	152	179
Foreign currency (gains)/losses	(12)	4
Total other expenses	1,308	1,087
Total Administration and other expenses	2,358	3,117

9. Income tax

	31/12/2023 US$'000	31/12/2022 US$'000
Danish corporate income tax expense(i)	36	150
US corporate tax expense accrual reversal(ii)	-	(2,898)
Other	5	5
Total income tax expense/(reversal)	41	(2,743)

(i)Income tax expense relates to the controlled foreign company income of Otto Energy (Galoc Investment 2) ApS.

(ii)Reversal of accrued 30 June 2022 US Corporate taxes (US$2.9 million) after completion of US carried forward tax analysis completed in the half year resulting in the Company being able to utilise previously incurred net operating losses.

10. Oil and gas properties

	31/12/2023 US$'000	30/06/2023 US$'000
Producing and development assets		
At cost		
SM 71 balance at beginning of period	10,645	11,298
SM 71 expenditure for the period	19	807
SM 71 amortisation of assets	(632)	(1,460)
SM 71 balance at end of period	10,032	10,645
Lightning balance at beginning of period	1,846	3,446
Lightning expenditure for the period	-	(62)
Lightning amortisation of assets	(461)	(1,538)
Lightning balance at end of period	1,385	1,846
GC 21 balance at beginning of period	17,273	17,899
GC 21 expenditure for the period	85	21,417
GC-21 Insurance proceeds	(7,555)	-
GC 21 impairment of assets	(9,297)	(19,800)
GC-21 amortisation of assets	(506)	(2,243)
GC 21 balance at end of period	-	17,273

	31/12/2023 US$'000	30/06/2023 US$'000
10. Oil and gas properties (continued)		
Vick #1 at beginning of period	-	96
Vick #1 expenditure for the period	26	2
Vick #1 amortisation of assets	(26)	(98)
Vick #1 balance at end of period	-	-
Mosquito Bay West at beginning of period	568	35
Mosquito Bay West expenditure for the period	3	710
Mosquito Bay West amortisation of assets	(36)	(177)
Mosquito Bay West balance at end of period	535	568
Oyster Bayou at beginning of period	355	-
Oyster Bayou expenditure for the period	-	677
Oyster Bayou amortisation of assets	(65)	(322)
Oyster Bayou balance at end of period	290	355
Total oil and gas properties	12,242	30,687

Capitalised development and evaluation costs as at 31 December 2023 relate to well developments at GC 21, Mosquito Bay West and SM 71 platform in the Gulf of Mexico (including provision for decommissioning). The Vick #1 well was plugged and abandoned in September 2023.

Impairment

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

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

The Company assessed each cash generating unit (CGU) for indicators of impairment. Impairment indicators were identified on the GC 21 CGU in relation to well performance and increasing gas to oil ratio (GOR) and SM-71 due to 2P estimated reserve revisions on the SM 71 F-1 well.

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

10. Oil and gas properties (continued)

GC-21

At 31 December 2023, the Group has assessed the GC 21 Bulleit cash generating unit and determined that there is an impairment loss of US$9.3 million bringing the carrying value of the GC-21 Bulleit cash generating unit to nil.

The basis of reserves in the GC-21 VIU model was the 2P estimated reserve volumes provided by Ryder Scott, the qualified external petroleum engineering consultant. Estimated reserves on a 2P basis are as follows: Gross (100%) oil 792 Mbbl/Gross (100%) gas 1,507 MMcf. (June 2023: Gross (100%) oil 2,996 Mbbl/Gross (100%) gas 2,546 MMcf).

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. Production weighted average estimates are $71/Bbl oil and $3.57/MMBtu gas.

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

SM-71

At 31 December 2023, the Group has assessed the SM-71 cash generating unit and determined that there is no impairment loss.

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

There were no impairment indicators identified for the other assets at 31 December 2023.

11. 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		**31/12/2023**	**30/06/2023**
		US$'000	US$'000
Financial assets at fair value through profit and loss[(i)]	Level 1	-	529
Financial assets at fair value through profit and loss	Level 2	-	-
Financial assets at fair value through profit and loss	Level 3	-	-
Total financial assets measured at fair value		-	529

(i) The remaining PANR shares were sold in November and December 2023. At June 2023, the fair value of equity investments was determined based on a "mark to market" approach, calculated based on the closing price of PANR shares as at 30 June 2023.

11. Fair value measurement (continued)

Fair value hierarchy

Level 1 – the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

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

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

12. Contingent assets and liabilities

Otto maintains a 0.5% of 8/8ths ORRI in any future production from the Talitha unit in Alaska.

In March 2023, the Company announced a formal review process to evaluate strategic options to maximize shareholder value including a potential partial or full sale of the Company and/or its assets. Seaport Global Securities (in the United States) and Adelaide Equity Partners Limited (in Australia) were retained as financial advisors to assist with the process with a transaction-based fee agreed on a successful outcome. There are no further developments to note at reporting date.

In June 2023, the Company announced a change in management whereby Mr Utsler departed as CEO and Managing Director on 19 June 2023 with Mr Herod commencing as CEO on 20 June 2023. Under his employment agreement, Mr Herod is entitled to receive a cash payment if there is a liquidity event that results in a return of capital to the Company's shareholders (including a takeover, merger, scheme of arrangement, sale of assets, share buy-back, special dividend, or a series of liquidity events) that arises from the signing of definitive documents during Mr Herod's employment not later than 1 March 2024. The conditions for this payment have not been met and therefore there is no longer a contingent liability to recognise in the 31 December 2023 financial report. As a separate matter, Mr Utsler was entitled to receive a cash payment for a liquidity event occurring not later than 31 December 2023, pursuant to the terms and conditions of a consulting agreement dated 19 June 2023. The conditions for this payment have not been met and no liability arises from this potential transaction.

13. Commitments

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

	31/12/2023	**31/12/2022**
	US$'000	US$'000
Not later than one year	43	103
Later than one year but not later than five years	-	43
	43	146

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

Not later than one year	-	7,198
	-	7,198

14. Related parties

There are no related party transactions for the reporting period.

15. Events after the reporting period

Otto received proceeds of US$5.8 million in relation to a Control of Well insurance claim at GC 21 in August 2023. Otto received the final adjustment report in December 2023 indicating a final settlement amount of US$1.75 million due to Otto. These funds were received in Q1 2024.

The Company announced an update on the timetable for return of capital to the market per ASX announcement 23rd February 2024. Otto believes a ruling may be received by end of April 2024 although no assurances can be made as to the outcome of the ruling request or the timing of receipt of such ruling.

No other matters or circumstances have arisen since 31 December 2023 that would have a material impact on the Group's operations.

DIRECTORS' DECLARATION

For the half-year ended 31 December 2023

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 2023 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 2023 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

Mr J Jetter
Director
11 March 2024

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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 2023, 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 significant 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 2023 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 2023 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, 11 March 2024