10 March 2015

Manager of Company Announcements
ASX Limited
Level 6, 20 Bridge Street
SYDNEY NSW 2000

By E-Lodgement

OTTO ANNOUNCES HALF YEAR RESULTS

Otto Energy Ltd (ASX : OEL) has released its 31 December 2014 Half Year Results - available at www.ottoenergy.com.

HALF YEAR OVERVIEW

- Net profit after tax of US$16.888 million.
- Closing cash position of US$31.299 million as at 31 December 2014, which included US$10.823 million held by Galoc Production Company W.L.L - classified as held for sale at the end of the period.

Otto's Chief Executive Officer, Mr Matthew Allen, said "In the first half of FY2015, Otto has reported a healthy profit in a declining oil market, which did not include the divestment of the Galoc oil field – to be recognised in the second half. The significant cashflow generated by the divestment of the Galoc oil field will allow Otto to pay the proposed A$0.064 per share capital return to shareholders and provide sufficient funding for the forward exploration programs at SC55 in the Philippines, and the two licences onshore Tanzania."

OTTO AT A GLANCE

- ASX-listed oil and gas company with a strategy to grow an integrated petroleum business through high impact exploration
- Focused on South East Asia and East Africa
- Formerly Operator of the producing Galoc oil field in the Philippines

COMPANY OFFICERS

Rick Crabb	Chairman
Ian Macliver	Director
Rufino Bomasang	Director
John Jetter	Director
Ian Boserio	Director
Matthew Allen	CEO
Craig Hasson	CFO
Scott Blenkinsop	Chief Legal Counsel Company Secretary

---Ends---

Contact:	Media:
Matthew Allen	Matthew Gerber
Chief Executive Officer	MAGNUS Corporate and Financial Communication
+61 8 6467 8800	+61 2 8999 1002
info@ottoenergy.com	mgerber@magnus.net.au

Otto Energy Limited

ABN: 56 107 555 046

Financial Report
For the half-year ended
31 December 2014

Table of Contents

Corporate Directory

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

Company Secretary
Mr Scott Blenkinsop

Executive Management
Mr Matthew Allen – Chief Executive Officer
Mr Paul Senycia – Vice President, Exploration and New Ventures
Mr Craig Hasson – Chief Financial Officer
Mr Scott Blenkinsop – Chief Legal Counsel

Principal Registered Office in Australia
32 Delhi Street
West Perth WA 6005
Tel: +61 8 6467 8800
Fax: +61 8 6467 8801

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

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

Stock Exchange Listing
Australian Securities Exchange
Level 8, Exchange Plaza
2 The Esplanade
Perth WA 6000
ASX Code: OEL

Banks
Westpac Banking Corporation
Level 17, 109 St Georges Terrace
Perth WA 6000
Tel: +61 8 9426 2580
Fax: +61 8 9426 2288

BNP Paribas
10 Collyer Quay #34-01
Singapore 049315
Tel: +65 6210 1288
Fax: +65 6224 3459

Website Address
www.ottoenergy.com

Directors' Report

Your Directors submit their report on the consolidated entity consisting of Otto Energy Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2014.

Directors

The names of the company's directors in office during the half-year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Mr Rick Crabb
Mr Rufino Bomasang
Mr John Jetter
Mr Ian Macliver
Mr Ian Boserio

Company Secretary

Mr Scott Blenkinsop

Review and results of operations

During the half-year, Otto continued to have strong production from the existing wells Galoc 3H, 4H, 5H and 6H which contributed to the strong sale revenues.

Consolidated net profit from operations after income tax for the half-year was $16.9 million (2013: net loss of $14.4 million).

Otto announced on 22 September 2014 it had executed a sale and purchase agreement (SPA) to divest 100% of shares in Galoc Production Company W.L.L (GPC) a wholly own subsidiary by Otto Group to Risco Energy Investments Pte Ltd (Risco) for US$101.4 million. The operations of GPC have been classified as a discontinued operation held for sale in September 2014 and comparative results have been restated where appropriate.

On 12 December 2014, Otto announced it had executed a superior sale and purchase agreement with Nido Petroleum Limited to divest GPC for US$108 million on the same terms and conditions as the Risco SPA. A 10% deposit (US$10.8 million) was paid in Dec 2014 by Nido to secure the sales and purchase agreement. To complete the proposed divestment of GPC, Otto issued a notice on 19 December 2014 for a General Meeting to be held in January 2015 to seek shareholder approval.

In Tanzania, positive results were received from recent seismic acquisition and subsequent interpretation.

Otto was granted approval for a 12 month extension to Service Contract 55 Sub-Phase 4 from the Philippines Department of Energy. Otto continued the farm out process to secure joint venturers to participate in the drilling of the Hawkeye-1 exploration well. Planning and preparation for drilling of Hawkeye-1 in 2015 has commenced, including steps for the acquisition of long lead items.

Significant affairs after reporting date

Completion of Galoc Sale

Shareholder approval for sale of Galoc Production Company was received on 20 January 2015. On 17 February 2015, the sale of Galoc Production Company W.L.L to Nido Petroleum Ltd was completed. The sale consideration was US$108 million based on the effective date of 1 July 2014.

Service Contract 55, Philippines

In January 2015, Otto announced that PNOC Exploration Company (PNOC-EC) expressed an interest in farming into SC55 for a 15% working interest. The commercial terms of the farm in have been agreed and will be finalised in a Farm-in Agreement to be entered into between Otto and PNOC-EC.

Directors' Report

On 2 March 2015, Otto signed a farm-in agreement with Red Emperor Resources NL to farm down 15% working interest in SC 55.

Otto has entered into commitments for long lead items required to drill Hawkeye-1, which is anticipated to take place during Q3 2015.

Rounding

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

Auditors Independence Declaration

We have obtained the following independence declaration from our auditors, BDO Audit (WA) Pty Ltd.

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

Mr I Macliver
Director

10 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2014

	Note	31/12/2014 US$'000	31/12/2013 (Restated) US$'000
Continuing Operations			
Revenue from sale of oil		-	-
Cost of production		-	-
Gross Profit		**-**	**-**
Other revenue		611	3,325
Loss disposal of asset		-	(1)
Other expenses from ordinary activities			
Employee benefit expense		(2,020)	(4,315)
Depreciation & amortisation		(143)	(288)
Finance expenses		-	(439)
Impairment of exploration and evaluation assets	6	-	(23,430)
Other expenses		(984)	(2,408)
Foreign currency losses		(70)	(46)
Loss before income tax from continuing operations		**(2,606)**	**(27,602)**
Income tax benefit		-	2
Loss After income tax for the half-year from continuing operations		**(2,606)**	**(27,600)**
Discontinued operations			
Profit after tax for the half-year from discontinued operations	7	19,494	13,196
Net profit/(loss) for the period attributable to owners of Otto Energy Limited		**16,888**	**(14,404)**
Total comprehensive income/(loss) for the period attributable to owners of Otto Energy Limited		**16,888**	**(14,404)**
(Loss) per share for the continuing operations half-year loss attributable to the members of Otto Energy Ltd:			
Basic (loss) per share (cents per share)		(0.23)	(2.42)
Diluted (loss) per share (cents per share)		(0.23)	(2.42)
Earnings per share for the discontinued operations half-year profit attributable to the members of Otto Energy Ltd:			
Basic earnings per share (cents per share)		1.69	1.15
Diluted earnings per share (cents per share)		1.69	1.15

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

Consolidated Statement of Financial Position

As At 31 December 2014

	Note	31/12/2014 US$'000	30/6/2014 US$'000
Current Assets			
Cash and cash equivalents	4	20,476	7,735
Trade and other receivables		27	18
Other current assets		765	1,758
Inventory		-	2,941
Assets classified as held for Sale	7	111,337	-
Total Current Assets		**132,605**	**12,452**
Non-Current Assets			
Other assets		14	7,955
Property, plant and equipment		365	496
Exploration and evaluation assets	6	15,735	9,049
Oil & gas properties	5	-	91,460
Deferred tax assets		1	1
Total Non-Current Assets		**16,115**	**108,960**
Total Assets		**148,720**	**121,412**
Current Liabilities			
Trade and other payables		228	4,755
Unearned Revenue		10,800	-
Provisions		156	2,638
Liabilities directly associated with the assets classified as held for Sale	7	29,314	-
Total Current Liabilities		**40,498**	**7,393**
Non-Current Liabilities			
Deferred tax liabilities		-	13,935
Provisions		60	8,910
Total Non-Current Liabilities		**60**	**22,845**
Total Liabilities		**40,558**	**30,238**
NET ASSETS		**108,162**	**91,174**
EQUITY			
Contributed equity		131,577	131,577
Reserves		13,245	13,145
Accumulated losses		(36,660)	(53,548)
TOTAL EQUITY		**108,162**	**91,174**

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

Consolidated Statement of Changes in Equity

For the six months ended 31 December 2014

	Issued Capital US$'000	Accumulated Losses US$'000	Reserves US$'000	Total Equity US$'000
Balance at 1 July 2013	131,577	(53,455)	12,873	90,995
Total comprehensive loss for the half-year				
Loss for the half-year	-	(14,404)	-	(14,404)
Total comprehensive loss for the period	**-**	**(14,404)**	**-**	**(14,404)**
Transactions with owners in their capacity as owners				
Recognition of share based payments	-	-	417	417
Balance at 31 December 2013	**131,577**	**(67,859)**	**13,290**	**77,008**
Balance at 1 July 2014	131,577	(53,548)	13,145	91,174
Total comprehensive profit for the half-year				
Profit for the half-year	-	16,888	-	16,888
Total comprehensive income for the period	**-**	**16,888**	**-**	**16,888**
Transactions with owners in their capacity as owners				
Recognition of share based payments	-	-	100	100
Balance at 31 December 2014	**131,577**	**(36,660)**	**13,245**	**108,162**

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

Consolidated Statement of Cash Flows

For the six months ended 31 December 2014

	Note	31/12/2014 US$'000	31/12/2013 US$'000
Cash flows from operating activities			
Receipts from customers		-	23,202
Payments to suppliers and employees		(3,995)	(11,334)
Interest received		16	10
Interest and financing cost paid		(2)	(1,025)
Income taxes paid		-	(770)
Cash flows from operating activities of discontinued operations		23,111	-
Net cash inflow from operating activities		**19,130**	**10,083**
Cash flows from investing activities			
Payments for property, plant and equipment		-	(144)
Proceeds from sale of property, plant and equipment		-	3
Payments for exploration and evaluation		(6,434)	(8,646)
Payments for oil and gas properties		-	(35,444)
Payments for bonds		-	(575)
Deposit from sale of subsidiary		10,800	-
Cash flows from investing activities of discontinued operations		165	-
Net cash inflow/(outflow) from investing activities		**4,531**	**(44,806)**
Cash flows from financing activities			
Proceeds from loan drawdown		-	19,084
Borrowing transaction costs paid		-	(100)
Net cash inflow from financing activities		**-**	**18,984**
Net increase /(decrease) in cash and cash equivalents		23,661	(15,739)
Cash and cash equivalents at the beginning of the financial half-year		7,735	31,854
Effects of exchange rate changes on cash		(97)	(48)
		31,299	**16,067**
Cash and cash equivalents classified as held for sale	7	(10,823)	**-**
Cash and cash equivalents at end of half-year	4	**20,476**	**16,067**

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

Notes to the Consolidated Financial Statements

1. Corporate Information

The interim condensed consolidated financial report of the group for the six months ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 10th March 2015.

Otto Energy Limited is a company incorporated and domiciled in Australia whose shares are publicly traded. The principle activities of the company and its subsidiaries (the Group) are described in the consolidated financial statements of the Group as at and for the year ended 30 June 2014 that is available at www.ottoenergy.com.

2. Basis of preparation and changes to the Group's accounting policies

The interim consolidated financial report of the group for the six months ended 31 December 2014 has been prepared in accordance with AASB 134 *Interim Financial Reporting*.

The interim 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 annual financial report as at 30 June 2014.

The accounting policies adopted in the preparation of the consolidated financial report are consistent with those followed in the preparation of the Group's financial report for the year ended 30 June 2014.

New accounting standards and interpretations

In the half-year ended 31 December 2014, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2014.

New and amended standards adopted by the entity

A number of new or amended standards became applicable for the current reporting period, however, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. There may be some changes to the disclosures in the 30 June 2015 annual report as a consequence of these amendments.

Impact of standards issued but not yet applied by the entity

There were no new standards issued since 30 June 2014 that have been applied by Otto Energy Ltd. The 30 June 2014 annual report disclosed that Otto Energy Ltd anticipated no material impacts (amounts recognised and/or disclosed) arising from initial application of those standards issued but not yet applied at that date, and this remains the assessment as at 31 December 2014.

All the Service Contracts in the Philippines will not be classified as a Joint Operation, but the Group will continue to account for its share of assets, liabilities, revenues and expenses under AASB 118, AASB 6, AASB 116 and AASB 136.
All the Product Sharing Agreements in Tanzania will be classified as a Joint Operation and the Group will continue to account for its share of assets, liabilities, revenues and expenses.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2014. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business.

3. Operating segment information

Management has determined the operating segments based on reports reviewed by the executive management committee for making strategic decision. The executive leadership team comprises the chief executive officer, chief financial officer and divisional managers. The committee monitors the business based on geographic factors and has identified 4 reportable segments.

Notes to the Consolidated Financial Statements

3. Operating segment information (Continued)

The segment information provided to the Executive Leadership Team for the reportable segments for the half-year ended 31 December 2014 is as follows:

31 December 2014	**Australia US$'000**	**Philippines US$'000**	**Tanzania US$'000**	**Other US$'000**	**Consolidated US$'000**
Revenue from sale of oil	-	-	-	-	-
Cost of production	-	-	-	-	-
Gross Profit	**-**	**-**	**-**	**-**	**-**
Other revenue	464	147	-	-	611
Employee benefit expense	(1,894)	(126)	-	-	(2,020)
Depreciation & amortisation	(119)	(24)	-	-	(143)
Other expenses	(1,474)	(84)	-	574	(984)
Foreign currency gain/(loss)	(73)	3	-	-	(70)
Net Profit/(loss) before income tax	**(3,096)**	**(84)**	**-**	**574**	**(2,606)**
Income tax Expense	-	-	-	-	-
Net Profit/(loss) for the half-year from continuing operations	**(3,096)**	**(84)**	**-**	**574**	**(2,606)**
Discontinue Operations					
Profit after tax for the half-year from Discontinued Operations		19,494			19,494
(Loss)/Profit for the half-year	**(3,096)**	**19,410**	**-**	**574**	**16,888**
Total Segment Assets from continuing operations	**21,061**	**3,187**	**13,134**	**1**	**37,383**
Total Segment Assets held for sale	**-**	**111,337**	**-**	**-**	**111,337**
Total Segment Liabilities from continuing operations	**10,496**	**748**	**-**	**-**	**11,244**
Total Segment Liabilities held for sale	**-**	**29,314**	**-**	**-**	**29,314**

31 December 2013	**Australia US$'000**	**Philippines US$'000**	**Tanzania US$'000**	**Other US$'000**	**Consolidated US$'000**
Revenue from sale of oil	-	-	-	-	-
Cost of production	-	-	-	-	-
Gross Profit	**-**	**-**	**-**	**-**	**-**
Other revenue	2,864	461	-	-	3,325
Loss on disposal of asset	(1)	-	-	-	(1)
Employee benefit expense	(3,730)	(585)	-	-	(4,315)
Depreciation & amortisation	(268)	(20)	-	-	(288)
Finance expenses	(439)	-	-	-	(439)
Impairment of exploration and evaluation assets	-	(23,430)	-	-	(23,430)
Other expenses	(2,075)	(164)	-	(169)	(2,408)
Foreign currency losses	(67)	21	-	-	(46)
Net loss before income tax	**(3,716)**	**(23,717)**	**-**	**(169)**	**(27,602)**
Income tax benefit	-	2	-	-	2
Net loss After income tax for the half-year from continuing operations	**(3,716)**	**(23,715)**	**-**	**(169)**	**(27,600)**
Discontinue Operations					
Profit after tax for the half-year from Discontinued Operations	-	13,196	-	-	13,196
(Loss)/Profit for the half-year	**(3,716)**	**(10,519)**	**-**	**(169)**	**14,404**

Notes to the Consolidated Financial Statements

3. Operating segment information (Continued)

30 June 2014

Total Segment Assets	**7,331**	**107,008**	**7,072**	**1**	**121,412**
Total Segment Liabilities	**777**	**29,457**	**-**	**4**	**30,238**

4. Cash and Cash Equivalents

	31/12/2014 US$'000	30/06/2014 US$'000
Total Cash	31,299	7,735
Cash and Cash Equivalents classified as assets held for sale	(10,823)	-
Cash and Cash Equivalents from continuing operations	20,476	7,735

5. Oil and Gas Properties

NON-CURRENT	**31/12/2014 US$'000**	**30/6/2014 US$'000**
Production assets – at cost	-	91,460
Movement in carrying amounts of Oil & Gas Properties		
As at 1 July	91,460	69,405
Additions	163	38,071
Amortisation	(3,794)	(16,016)
Transfer to Assets held for sale	(87,829)	-
Net carrying value	-	91,460

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

6. Exploration and Evaluation Assets

NON-CURRENT	**31/12/2014 US$'000**	**30/6/2014 US$'000**
Exploration and evaluation assets - at cost	15,735	9,049
Movement in carrying amounts of exploration and evaluation assets		
As at 1 July	9,049	22,437
Additions	6,686	10,404
Impairment of exploration and evaluation assets	-	(23,792)
Net carrying value	15,735	9,049

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

Notes to the Consolidated Financial Statements

7. Discontinued operations

On 22 September 2014, Otto announced it had executed a sale and purchase agreement (SPA) to divest 100% of the shares in Galoc Production Company W.L.L (GPC), a wholly owned subsidiary of the Otto Group, to Risco Energy Investments Pte Ltd (Risco) for US$101.4 million as at 1 July 2014. The operations of GPC have been classified as a discontinued operation held for sale asset from September 2014.

On 12 December 2014, Otto announced it had executed a superior sale and purchase agreement with Nido Petroleum Limited to divest GPC for US$108 million on the same terms and conditions as the Risco SPA. Nido will assume all production rights and liabilities associated with GPC Interest with effect from 1 July 2014. The sales transaction was completed on 17 February 2015. As at 31 December 2014, GPC was classified as a discontinued operation held for sale. The results of GPC are presented below:

	31/12/2014 US$'000	31/12/2013 US$'000
Revenue	39,433	23,202
Cost of Sale	(12,613)	(9,794)
Gross Profit	26,820	13,408
Other Expenses	(2,374)	(5,152)
Profit before Tax from a discontinued operation	24,446	8,256
Income Tax Expense	(4,952)	4,940
Net Profit after Income Tax from a discontinued operations	19,494	13,196

The major classes of assets and liabilities of Galoc Production Company WLL classifies as held for sale as at 31 December 2014 are as follows:

	31/12/2014 US$'000
Assets	
Cash and cash equivalents	10,823
Trade and other receivables	1,303
Inventories	2,852
Oil and Gas Properties	87,829
Other Assets	8,530
Assets classified as held for sale	111,337
Liabilities	
Trade and Payables	5,465
Income Tax Payable	989
Deferred tax liability	13,855
Provisions	9,005
Liabilities directly associated with assets classified as held for sale	29,314
Net assets classified as held for sale	**82,023**

7. Discontinued operations (Continued)

The net cash flows incurred by Galoc Production Company WLL are as follows:

	31/12/2014 US$'000	31/12/2013 US$'000
Net cash inflow/(outflow) from operating activities	23,111	6,798
Net cash inflow/(outflow) from Investing activities	165	(39,596)
Net cash inflow from financing activities	-	18,984
Net cash inflow/(outflow)	23,276	(13,814)

8. Commitments

There has been no material change to the capital expenditure commitments as disclosed in the 30 June 2014 Annual Report.

9. Share – Based Payments

On 3 October 2014, the Group issued 8,800,000 Performance Rights to employees. The assessed fair values at grant date of rights granted to employees are detailed below:

Total Return on Shareholders (TSR) based performance right:

Measurement Date	1 February 2016	1 February 2017	1 February 2018
Grant Date	3 October 2014	3 October 2014	3 October 2014
Expiry date	31 December 2018	31 December 2018	31 December 2018
No of rights	2,766,670	2,766,665	2,766,665
Share price at grant date - A$	0.09	0.09	0.09
Expected volatility	51%	52%	53%
Risk free rate	2.6%	2.6%	2.6%
Fair Value - A$	0.05	0.05	0.06

Time Based performance rights:

Measurement Date	1 February 2016	1 February 2017	1 February 2018
Grant Date	3 October 2014	3 October 2014	3 October 2014
Expiry date	31 December 2018	31 December 2018	31 December 2018
No of rights	166,670	166,665	166,665
Share price at grant date - A$	0.09	0.09	0.09
Fair Value - A$	0.07	0.06	0.05

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

For the six months ended 31 December 2014, the group has recognized $100,000 of share-based payment transactions expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income (31 December 2013: NIL).

Notes to the Consolidated Financial Statements

10. Related Party Transactions

The number of performance rights over ordinary shares held, granted to, vested to key management personnel as part of compensation during the period ending 31 December 2014 is set out below:

2014	Balance at 30 Jun 2014	Granted as Compensation	Vested and Exercisable	Balance at 31 Dec 2014
Mr M Allen	5,500,000	2,400,000	(2,000,000)	5,900,000
Mr P Senycia	5,500,000	2,400,000	(2,000,000)	5,900,000
Mr C Hasson	-	1,500,000	-	1,500,000
Mr S Blenkinsop	-	1,500,000	-	1,500,000
	11,000,000	**7,800,000**	**(4,000,000)**	**14,800,000**

11. Events occurring after reporting period

Completion of Galoc Sale

Shareholder approval for the sale of Galoc Production Company was received on 20 January 2015. On 17 February 2015, the sale of Galoc Production Company W.L.L to Nido Petroleum Ltd was completed. The sale consideration was US$108 million based on the effective date of 1 July 2014.

Service Contract 55, Philippines

In January 2015, Otto had announced that PNOC Exploration Company (PNOC-EC) expressed an interest in farming into SC55 for a 15% working interest. The commercial terms of the farm in have been agreed and will be finalised in a Farm-in Agreement to be entered into between Otto and PNOC-EC.

On 2 March 2015, Otto Energy Philippines signed a farm-in agreement with Red Emperor Resources NL to farm down 15% working interest in Service Contract 55.

Otto has entered into commitments for long lead items required to drill Hawkeye-1, which is anticipated to take place during Q3 2015.

12. Dividends

Since the end of the previous financial year, no dividend has been paid or declared. (2013: Nil)

13. Contingent Liabilities and Contingent Assets

Contingent Consideration Payable (Middle East Petroleum Services)

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

Under the buyback agreement referred to above, there is a contingent consideration component whereby Otto will also pay MEPS a production bonus of US$1.5m, should the block produce 1.5m barrels of oil equivalent during the term of Otto's license.

Director's Declaration

In the Directors' opinion:

a) The financial statements and accompanying notes are in accordance with the Corporations Act 2001 and:

(i) comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date

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.

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

I Macliver

Mr I Macliver
Director

10 March 2015

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

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

DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF OTTO ENERGY LIMITED

As lead auditor for the review of Otto Energy Limited for the half-year ended 31 December 2014, 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.

Brad McVeigh

Director

BDO Audit (WA) Pty Ltd

Perth, 10 March 2015

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

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

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Otto Energy Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Otto Energy Limited, which comprises the consolidated statement of financial position as at 31 December 2014, 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, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year 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 is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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 consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Otto Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Otto Energy Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

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

BDO Audit (WA) Pty Ltd

BDO

Brad McVeigh

Director

Perth, 10 March 2015