

**ASX ANNOUNCEMENT**

4 March 2016

**HALF YEAR RESULTS RELEASED**

Please find attached Otto Energy Ltd's (ASX : OEL) Half-Year Results to 31 December 2015.

A copy of this announcement can be viewed on the Company's website [www.ottoenergy.com](http://www.ottoenergy.com) under the heading "News & Reports".

~Ends~

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**Otto Energy Limited**

ABN: 56 107 555 046

**Financial Report  
For the half-year ended  
31 December 2015**

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## Corporate Directory

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### Directors

Mr. John Jetter – Non-Executive Chairman (appointed 25 November 2015)  
Mr. Rick Crabb – Non-Executive Chairman (resigned 25 November 2015)  
Mr. Matthew Allen – Managing Director and Chief Executive Officer  
Mr. Rufino Bomasang – Non-Executive Director (resigned 25 November 2015)  
Mr. Ian MacIver – Non-Executive Director  
Mr. Ian Boserio – Non-Executive Director

### Company Secretary

Mr Neil Hackett

### Executive Management

Mr. Matthew Allen – Managing Director and Chief Executive Officer  
Mr. Paul Senyica – Vice President, Exploration and New Ventures  
Mr. Craig Hasson – Chief Financial Officer  
Mr. Matthew Worner – Commercial Manager

### 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

### Website Address

[www.ottoenergy.com](http://www.ottoenergy.com)

## Directors' Report

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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 2015.

### 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 John Jetter (Non-Executive Chairman appointed on 25 November 2015)

Mr Rick Crabb (resigned 25 November 2015)

Mr Matthew Allen

Mr Rufino Bomasang (resigned 25 November 2015)

Mr Ian Macliver

Mr Ian Boserio

### Company Secretary

Mr Neil Hackett

### Review and results of operations

Consolidated net loss from operations after income tax for the half-year was \$8.6million (2014: net profit of \$10.2 million).

During the half year, Otto successfully executed the drilling of Hawkeye-1 exploration well to a depth of 2,920m. The drilling program was executed safely and completed in 19.5 days including plug and abandonment. The final well cost was US\$23.7 million. As a result of funding contributions from BHPB, Otto was fully carried on the cost of drilling. Prior to drilling, Otto completed a 15% farm of SC55 to Red Emperor Resources NL and executed a 10% farm in option with Pryce Gases Inc.

The Hawkeye well was completed with uneconomical quantities of hydrocarbons discovered but has proven a petroleum system exists in the south west Palawan area. A structured exit is planned for the Philippines and on 23 December, Otto requested a two-year moratorium from the Philippines Department of Energy over SC55.

In Tanzania, the Tanzania regulator approved an extension to the initial exploration term by one year. Drilling of the first well must now be undertaken prior to February 2017. The new 2D seismic data has been processed and detailed technical evaluation of same was completed during Q3 2015. Kito well planning is now underway.

On 21 July 2015, Otto acquired 100% of the issued capital of Borealis Petroleum Pty Ltd for the right to earn an interest in a substantial acreage position on the highly prospective, oil prone, onshore Alaskan North Slope held by Great Bear Petroleum Operating. Through its agreements with Great Bear, Otto Acquired an 8% and 10.8% working interest (equivalent to 58,334 net acres) in two areas of Alaskan North Slope exploration acreage held by Great Bear.

On 11 December 2015, Otto entered into a staged farm-in for interests in a multi-well portfolio onshore Louisiana and Offshore Gulf of Mexico agreement with Byron Energy Limited (Byron). Drilling of the first well SM-6 will commence in 1<sup>st</sup> quarter of 2016 and 2 contingent wells have also been planned. The transactions with Byron will provide Otto with exposure to a portfolio of low cost, high chance of success, conventional oil and gas opportunities located both onshore and offshore of US in a prolific oil and gas province surrounded by existing infrastructure.

### Events occurring after reporting date

On 16 February 2016, Otto announced that it has been advised by the Operator of SMI-6 Byron Energy that the Hercules 205 drilling rig has commenced drilling the well. The SMI-6 #2 is the first well to be drilled as part of Otto's farm-in transaction with Byron. In order to earn a 50% working interest (equal to a 40.625% revenue interest) in the SMI-6 Lease, Otto has contributed 66.67% (US\$5.3m) of the cost of the well. Any costs above this amount in respect of the SMI-6#2 well and future expenditure on the license will be in accordance with Otto and Byron's participating interest 50%.

## Directors' Report

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### 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 98/100. The Company is an entity to which the Class Order applies.

### Auditor's Independence Declaration

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

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



**Mr I Macliver**  
**Director**  
**04 March 2016**

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

### For the six months ended 31 December 2015

	Note	31/12/2015 US\$'000	31/12/2014 (Restated)* US\$'000
<b>Continuing Operations</b>			
Other income	4	27,012	611
Gain on disposal of asset		13	-
Other expenses from ordinary activities			
Employee benefit expense		(1,772)	(2,020)
Depreciation & amortisation		(54)	(143)
Exploration expense	6	(32,242)	(6,686)
Other expenses		(1,540)	(984)
Foreign currency losses		(47)	(70)
<b>Loss before income tax from continuing operations</b>		<b>(8,630)</b>	<b>(9,292)</b>
Income tax expense		(3)	-
<b>Loss after income tax for the half-year from continuing operations</b>		<b>(8,633)</b>	<b>(9,292)</b>
<b>Discontinued operations</b>			
Profit after tax for the half-year from discontinued operations		-	19,494
<b>Net (loss)/profit for the period attributable to owners of Otto Energy Limited</b>		<b>(8,633)</b>	<b>10,202</b>
<b>Total comprehensive (loss)/income for the period attributable to owners of Otto Energy Limited</b>		<b>(8,633)</b>	<b>10,202</b>
<b>Loss per share for the continuing operations half-year loss attributable to the members of Otto Energy Limited:</b>			
Basic loss per share (cents per share)		(0.73)	(0.80)
Diluted loss per share (cents per share)		(0.73)	(0.80)
<b>Earnings per share for the discontinued operations half-year profit attributable to the members of Otto Energy Limited:</b>			
Basic earnings per share (cents per share)		-	1.69
Diluted earnings per share (cents per share)		-	1.69

\* The 31 December 2014 statement of profit and loss and other comprehensive income has been restated pursuant to the Company's voluntary change in accounting policy for exploration and evaluation expenditure and recognition of assets (Note 2(b)).

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 2015

	Note	31/12/2015 US\$'000	30/6/2015 (Restated)* US\$'000	01/07/2014 (Restated)* US\$'000
<b>Current Assets</b>				
Cash and cash equivalents	5	33,566	41,206	7,735
Trade and other receivables		5	-	18
Other current assets		520	701	1,758
Inventory		-	2,422	2,941
<b>Total Current Assets</b>		<b>34,091</b>	<b>44,329</b>	<b>12,452</b>
<b>Non-Current Assets</b>				
Other assets		-	6	7,955
Property, plant and equipment		107	151	496
Oil and gas properties		-	-	91,460
<b>Total Non-Current Assets</b>		<b>107</b>	<b>157</b>	<b>99,911</b>
<b>Total Assets</b>		<b>34,198</b>	<b>44,486</b>	<b>112,363</b>
<b>Current Liabilities</b>				
Trade and other payables		183	2,800	4,755
Provisions		166	98	2,638
<b>Total Current Liabilities</b>		<b>349</b>	<b>2,898</b>	<b>7,393</b>
<b>Non-Current Liabilities</b>				
Deferred tax liabilities		-	-	13,935
Provisions		44	68	8,910
<b>Total Non-Current Liabilities</b>		<b>44</b>	<b>68</b>	<b>22,845</b>
<b>Total Liabilities</b>		<b>393</b>	<b>2,966</b>	<b>30,238</b>
<b>NET ASSETS</b>		<b>33,805</b>	<b>41,520</b>	<b>82,125</b>
<b>EQUITY</b>				
Contributed equity	7	81,895	81,104	131,577
Reserves		13,537	13,410	13,145
Accumulated losses		(61,627)	(52,994)	(62,597)
<b>TOTAL EQUITY</b>		<b>33,805</b>	<b>41,520</b>	<b>82,125</b>

\* The 30 June 2015 consolidated statement of financial position has been restated pursuant to the Company's voluntary change in accounting policy for exploration and evaluation expenditure and recognition of assets (Note 2 (b)).

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 2015

	Issued Capital US\$'000	Accumulated Losses US\$'000	Reserves US\$'000	Total Equity US\$'000
<b>Balance at 1 July 2014 (Restated)*</b>	131,577	(62,597)	13,145	82,125
<b>Total comprehensive profit for the half-year</b>				
Profit for the half-year (Restated)*	-	10,202	-	10,202
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>10,202</b>	<b>-</b>	<b>10,202</b>
<b>Transactions with owners in their capacity as owners</b>				
Recognition of share based payments	-	-	100	100
<b>Balance at 31 December 2014 (Restated)*</b>	<b>131,577</b>	<b>(52,395)</b>	<b>13,245</b>	<b>92,427</b>
<b>Balance at 1 July 2015 (Restated)*</b>	81,104	(52,994)	13,410	41,520
<b>Total comprehensive loss for the half-year</b>				
Loss for the half-year	-	(8,633)	-	(8,633)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>(8,633)</b>	<b>-</b>	<b>(8,633)</b>
<b>Transactions with owners in their capacity as owners</b>				
Shares issued	791			791
Recognition of share based payments	-	-	127	127
<b>Balance at 31 December 2015</b>	<b>81,895</b>	<b>(61,627)</b>	<b>13,537</b>	<b>33,805</b>

\* The 31 December 2014 consolidated statement of changes in equity has been restated pursuant to the Company's voluntary change in accounting policy for exploration and evaluation expenditure and recognition of assets (Note 2 (b)).

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 2015

	Note	31/12/2015 US\$'000	31/12/2014 (Restated)* US\$,000
<b>Cash flows from operating activities</b>			
Funds received from BHPP and Pryce Gases for Hawkeye Well		26,042	-
Receipts from recharges to joint venture		942	-
Payments to suppliers and employees		(2,650)	(3,995)
Payments for exploration and evaluation		(31,968)	(6,434)
Interest received		22	16
Interest and financing cost paid		-	(2)
Income taxes paid		(2)	-
Cash flows from operating activities of discontinued operations		-	23,111
<b>Net cash outflow from operating activities</b>		<b>(7,614)</b>	<b>12,696</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(6)	-
Proceeds from sale of property, plant and equipment		8	-
Deposit from sale of subsidiary		-	10,800
Cash flows from investing activities of discontinued operations		-	165
<b>Net cash inflow/(outflow) from investing activities</b>		<b>2</b>	<b>10,965</b>
<b>Cash flows from financing activities</b>		-	-
<b>Net cash inflow from financing activities</b>		-	-
Net increase /(decrease) in cash and cash equivalents		(7,612)	23,661
Cash and cash equivalents at the beginning of the financial half-year		41,206	7,735
Effects of exchange rate changes on cash		(28)	(97)
		<b>33,566</b>	<b>31,299</b>
Cash and cash equivalents classified as held for sale		-	(10,823)
<b>Cash and cash equivalents at end of half-year</b>	5	<b>33,566</b>	<b>20,476</b>

\* The 31 December 2014 consolidated statement of cash flows has been reclassified between operating activities and investing activities pursuant to the Company's voluntary change in accounting policy for exploration and evaluation expenditure and recognition of assets (Note 2 (b)).

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

## Notes to the Consolidated Financial Statements

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### 1. Corporate Information

The interim consolidated financial report of the group for the six months ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 04 March 2016.

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 2015 that is available at [www.ottoenergy.com](http://www.ottoenergy.com).

### 2. Statement of Significant Accounting Policies

#### (a) Basis of preparation

The interim consolidated financial report of the group for the six months ended 31 December 2015 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 2015.

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 2015 except for Exploration for and Evaluation of Mineral Resources.

#### (b) Voluntary Change in Accounting Policy - Exploration and evaluation expenditure and recognition of assets

The report for the period ended 31 December 2015 has been prepared on the basis of a retrospective application of a voluntary change in accounting policy relating to exploration and evaluation expenditure. In previous reporting periods, the costs incurred in connection with exploration of areas with current rights of tenure were capitalised to the Statement of Financial Position. The criteria for carrying forward the costs were:

- Such costs are expected to be recovered through successful development and exploitation of the area of interest, or alternatively by its sale; or
- Exploration and/or evaluation activities are continuing in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area are continuing.

Costs carried forward in respect of an area of interest that was abandoned were written off in the year in which the decision to abandon was made.

The policy has changed, and the new policy has been applied retrospectively (with comparative information restated accordingly). Under the new policy, exploration expenditure including cost of acquisition is expensed to the Statement of Profit or Loss and Other Comprehensive Income in the year when it is incurred. Evaluation and Development costs continues to be accounted for under the same policy which has been applied in previous reporting periods. Evaluation is deemed to be activities undertaken from the beginning of the definitive feasibility study conducted to assess the technical commercial viability of extracting a resource before moving into the Development phase.

The Directors are of the opinion that the change in accounting policy provides users with more relevant and no less reliable information as the policy is more transparent and less subjective. Both the previous and new accounting policies are compliant with AASB 6 Exploration for and Evaluation of Mineral Resources. The impact of this change in accounting policy is reflected below:

## Notes to the Consolidated Financial Statements

### 2. Statement of Significant Accounting Policies (continued)

The capitalised exploration and evaluation asset previously reported as at 30 June 2015 has decreased by US\$18.645 million (2013: decreased by US\$9.049 million). Accumulated losses brought forward at 1 July 2014 increased by US\$9.049 million. Net profit after tax previously reported as at 30 June 2015 has decreased by US\$9.596 million and restated as US\$16.405 million. Net profit after tax previously reported at 31 December 2014 has decreased by US\$6.686 million and restated at US\$10.202 million.

Basic and diluted loss per share from continuing operations and net earnings per share have also been restated. The amount of the impact for the new result for the period ended 30 June 2015 of the change in accounting policy stated as below:

	30 June 2015
<b>Loss per share from continuing operations attributable to the ordinary equity holders of the Company:</b>	
Basic loss per share	(1.42)
Diluted loss per share	(1.41)

#### *New accounting standards and interpretations*

In the half-year ended 31 December 2015, 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 2015.

#### **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 2016 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 2015 that have been applied by Otto Energy Ltd. The 30 June 2015 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 2015.

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 2015. 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.

The segment information provided to the Executive Leadership Team for the reportable segments for the half-year ended 31 December 2015 is as follows:

## Notes to the Consolidated Financial Statements

<b>31 December 2015</b>	<b>Australia US\$'000</b>	<b>Philippines US\$'000</b>	<b>Tanzania US\$'000</b>	<b>USA US\$'000</b>	<b>Other US\$'000</b>	<b>Consolidated US\$'000</b>
Other income	970	26,042	-	-	-	27,012
Gain on disposal of asset	12	1	-	-	-	13
Employee benefit expense	(1,735)	(37)	-	-	-	(1,772)
Depreciation & amortisation	(54)	-	-	-	-	(54)
Exploration expenses	-	(17,293)	(486)	(14,463)	-	(32,242)
Other expenses	(1,368)	(67)	(26)	(32)	(47)	(1,540)
Foreign currency (gains)/losses	(33)	1	-	(15)	-	(47)
<b>Net Profit/(Loss) before income tax</b>	<b>(2,208)</b>	<b>8,647</b>	<b>(512)</b>	<b>(14,510)</b>	<b>(47)</b>	<b>(8,630)</b>
Income tax expense	-	(3)	-	-	-	(3)
<b>Net Profit/(Loss) after income Tax for the half-year</b>	<b>(2,208)</b>	<b>8,644</b>	<b>(512)</b>	<b>(14,510)</b>	<b>(47)</b>	<b>(8,633)</b>
<b>Total Segment Assets</b>	<b>33,746</b>	<b>386</b>	<b>52</b>	<b>-</b>	<b>14</b>	<b>34,198</b>
<b>Total Segment Liabilities</b>	<b>364</b>	<b>28</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>393</b>
<b>31 December 2014 (Restated)</b>	<b>Australia US\$'000</b>	<b>Philippines US\$'000</b>	<b>Tanzania US\$'000</b>	<b>USA US\$'000</b>	<b>Other US\$'000</b>	<b>Consolidated US\$'000</b>
Other income	464	147	-	-	-	611
Employee benefit expense	(1,894)	(126)	-	-	-	(2,020)
Depreciation & amortisation	(119)	(24)	-	-	-	(143)
Exploration expense	-	(380)	(6,306)	-	-	(6,686)
Other expenses	(1,474)	(84)	-	-	574	(984)
Foreign currency gain/(loss)	(73)	3	-	-	-	(70)
<b>Net Profit/(loss) before income tax</b>	<b>(3,096)</b>	<b>(464)</b>	<b>(6,306)</b>	<b>-</b>	<b>574</b>	<b>(9,292)</b>
Income tax expense	-	-	-	-	-	-
<b>Net Profit/(loss) for the half-year from continuing operations</b>	<b>(3,096)</b>	<b>(464)</b>	<b>(6,306)</b>	<b>-</b>	<b>574</b>	<b>(9,292)</b>
<b>Discontinued Operations</b>						
Profit after tax for the half-year from discontinued operations	-	19,494	-	-	-	19,494
<b>Profit/(Loss) for the half-year</b>	<b>(3,096)</b>	<b>19,030</b>	<b>(6,306)</b>	<b>-</b>	<b>574</b>	<b>10,202</b>
<b>30 June 2015</b>						
<b>Total Segment Assets</b>	<b>44,081</b>	<b>404</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>44,486</b>
<b>Total Segment Liabilities</b>	<b>283</b>	<b>2,814</b>	<b>(132)</b>	<b>-</b>	<b>1</b>	<b>2,966</b>

#### 4. Other Income

	<b>31/12/2015 US\$'000</b>	<b>30/06/2015 US\$'000</b>
BHPP reimbursed for Hawkeye expenditure	23,732	-
Farm In option with Pryce Gases	2,310	-
Interest Received	23	503
Other	947	854
<b>Other income from continuing operations</b>	<b>27,012</b>	<b>1,357</b>

## Notes to the Consolidated Financial Statements

### 5. Cash and Cash Equivalents

	31/12/2015	30/06/2015
	US\$'000	US\$'000
Total Cash	33,566	41,206
<b>Cash and Cash Equivalents from continuing operations</b>	<b>33,566</b>	<b>41,206</b>

### 6. Exploration and Evaluation Expenditures

Exploration and evaluation expenditure	31/12/2015	30/6/2015 (Restated)
	US\$'000	US\$'000
Exploration expenditure - Philippines	17,294	2,438
Exploration expenditure - Tanzania	485	7,158
Acquisition costs of Borealis – Alaska North Slope <sup>(i) (ii)</sup>	14,463	-
<b>Total Exploration and Evaluation Expenditure</b>	<b>32,242</b>	<b>9,596</b>

(i) Refer to note 7 for the consideration paid (US\$791,530) for the acquisition of Borealis Petroleum Pty Ltd.

(ii) During the period, Otto acquired an 8% and 10.8% working interest in two areas of the Alaskan North Slope exploration acreage held by Great Bear. The consideration paid to Great Bear to complete the acquisition and the forward capital investment program includes:

- US\$4 million paid on 4 August 2015
- US\$2.5 million paid on 10 August 2015
- US\$7 million paid on 30 September 2015

### 7. Contributed Equity

#### Share Capital

	31-Dec-15 No.	30-Jun-15 No.	31-Dec-15 US\$'000	30-Jun-15 US\$'000
At the beginning of period	1,164,290,071	1,151,790,071	81,104	131,577
Return of capital during the year at AUD\$0.0564	-	-	-	(50,473)
Shares issued during half year <sup>(i)</sup>	17,518,250	12,500,000	791	-
	<b>1,181,808,321</b>	<b>1,164,290,071</b>	<b>81,895</b>	<b>81,104</b>

(i) On 12 August 17,518,250 fully paid ordinary shares issued at AUD\$0.0685 per share as a consideration for the acquisition of Borealis Petroleum Pty Ltd.

### 8. Commitments through joint operations

The aggregate of the consolidated entity's commitments through jointly controlled assets is as follows:

Capital commitments	31/12/2015 US\$'000
Committed capital and exploration expenditure commitments.	
No longer than 1 year	11,382
Longer than 1 year and no longer than 5 years	2,600
More than 5 years	-
	<b>13,982</b>

## Notes to the Consolidated Financial Statements

### 9. Share – Based Payments

On 14 August 2015, the Group issued 1,400,000 Performance Rights to Commercial Manager Matthew Worner. The assessed fair values at grant date of rights granted to employee are detailed below:

Total Return on Shareholders (TSR) based performance right:

Measurement Date	1 February 2017	1 February 2018	1 February 2019
Grant Date	14 August 2015	14 August 2015	14 August 2015
Expiry date	31 December 2019	31 December 2019	31 December 2019
No of rights	466,667	466,667	466,666
Share price at grant date - A\$	0.06	0.06	0.06
Expected volatility	65.2%	60.4%	57.8%
Risk free rate	1.96%	1.96%	1.96%
Fair Value - A\$	0.04	0.04	0.04

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 2015, the group has recognised \$127,000 of share-based payment transactions expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income (31 December 2014:\$100,000).

### 10. Events occurring after reporting period

On 16 February 2016, Otto announced that it has been advised by the Operator of SMI-6 Bryon Energy that the Hercules 205 drilling rig has commenced drilling the well. The SMI-6 #2 is the first well to be drilled as part of Otto's farm-in transaction with Byron. In order to earn a 50% working interest (equal to a 40.625% revenue interest) in the SMI-6 Lease, Otto has contributed 66.67% (US\$5.3m) of the cost of the well. Any costs above this amount in respect of the SMI-6#2 well and future expenditure on the license will be in accordance with Otto and Bryon's participating interest 50%.

### 11. Dividends

Since the end of the previous financial year, no dividend has been paid or declared. (30 June 2015: \$6.801 million)

### 12. Contingent Liabilities and Contingent Assets

No contingent liabilities have arisen subsequent to reporting date that have had, or likely to have a material impact on the financial statements.


## Director's Declaration

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In the Director's 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 2015 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:



**Mr I Macliver**  
**Director**

**04 March 2016**



## DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF OTTO ENERGY LIMITED

As lead auditor for the review of Otto Energy Limited for the half-year ended 31 December 2015, 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.



Jarrad Prue  
Director

BDO Audit (WA) Pty Ltd  
Perth, 4 March 2016

## 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 2015, 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 2015 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 2015 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

A handwritten signature in blue ink, appearing to read 'J Prue', is written over a faint, light blue BDO logo.

Jarrad Prue

Director

Perth, 4 March 2016