

14 March 2014

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

By E-Lodgement

ASX ANNOUNCEMENT – HALF YEAR RESULTS RELEASED

Otto Energy Ltd (ASX : OEL) is pleased to announce that it has released the 31 December 2013 Half-Year Report , available from www.ottoenergy.com.

HALF YEAR OVERVIEW

- Revenue of US\$23.202 million and Gross profit of US\$13.408 million from oil sales realised. Revenue marginally decreased compared to 1H FY2013 due to shut downs for Phase II commissioning and installation activities.
- Net loss after tax of US\$14.404 million has been reported which includes US\$23.430 million of exploration assets expensed to the income statement.
- Exploration costs expensed relate to Service Contracts 69 and 51 in the Philippines. Service Contract 69 was relinquished following evaluation work and an unsatisfactory farm out process. Service Contract 51 costs were expensed following the unsuccessful drilling of the Duhat-2 well.
- Closing cash position of US\$16.067 million.
- Final Galoc Phase II debt balance of US\$35.923 million after last drawdown.
- Galoc Phase II project successfully completed and flowed first oil on 5 December 2013 at initial rate of 14,500 BOPD.

Otto's Chief Executive Officer, Mr Matthew Allen, said "In the first half of FY2014, Otto achieved the significant milestone of completion of the Galoc Phase II development. Otto's operatorship of this successful development demonstrated the organisation's strong project execution capabilities. The substantial increase in production from the Phase II development will deliver valuable cashflow and will enable Otto to fund future growth opportunities."

---Ends---

OTTO AT A GLANCE

- ASX-listed oil and gas company with a strategy to grow its integrated oil and gas business across exploration, development and production
- Focused on South East Asia and East Africa
- Operator of the producing Galoc oil field in the Philippines, which provides cashflow
- Opportunity rich with substantial exploration prospects and leads

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	Company Secretary

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Otto Energy Limited

ABN: 56 107 555 046

**Financial Report
For the half-year ended
31 December 2013**

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Corporate Directory

Directors

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

Company Secretary

Mr Scott Blenkinsop (appointed 26 February 2014)

Executive Management

Mr Matthew Allen – Chief Executive Officer (appointed 24 February 2014)
Mr Paul Senyia – Vice President, Exploration and New Ventures (appointed 26 February 2014)
Mr Craig Hasson – Chief Financial Officer (appointed 26 February 2014)

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 2013.

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 MacIver
Mr Ian Boserio

Company Secretary

Mr Matthew Allen (resigned 26 February 2014)
Mr Scott Blenkinsop (appointed 26 February 2014)

Review and results of operations

During the half-year, Otto continued to have strong production from the existing wells Galoc 3H and 4H which contributed to the strong sale revenues. Sales revenue for the half-year was \$23.2 million (2012: \$24.3 million). Gross profit for the half-year was \$13.4 million (2012: \$17.1 million). Revenue marginally decreased compared to the period ending 31 December 2012 due to shut downs for Phase II commissioning and installation activities.

Consolidated net loss from operations after income tax for the half-year was \$14.4 million (2012: net profit of \$2.12 million). The net loss for the half-year ended December 2013 is due to the write down of assets in Service Contract 69 (SC69) and Service Contract 51 (SC51). Otto relinquished its stake in SC69 in October 2013 following evaluation work and an unsatisfactory farm out process. Otto has also impaired the exploration and evaluation assets in SC51 following the unsuccessful Duhat-2 well.

Commissioning of the Phase II development of the Service Contract 14C field was achieved in December 2013. This represents a major achievement for Otto and its service contract partners as production increased to over 12,000 barrels of oil per day.

Positive results achieved from recent seismic work in Tanzania has led to the decision to enter into Years 3 and 4 of the Pangani and Kilosa-Kilombero blocks which includes the commitment to drill two exploration wells by February 2016.

Significant affairs after reporting date

Service Contract 55, Philippines

In January 2014, Otto executed agreements with BHP Billiton Petroleum (Philippines) Corporation to terminate the farm-out agreement over Service Contract 55. Under the terms of the agreement BHP Billiton will pay Otto \$3.0 million upon DOE approval of re-assignment and a further \$24.5 million upon drilling of a well.

Otto has submitted a request to the Philippines Department of Energy (DOE) for re-assignment of BHPB's 60% working interest to Otto, taking Otto's working interest in SC55 to 93.18%.

Otto has commenced a farm-out process intended to introduce a new partner into the joint venture to participate in the drilling of the Hawkeye-1 exploration well.

Tanzania Exploration

In February 2014, Otto elected to enter into Years 3 and 4 of the Pangani and Kilosa-Kilombero production sharing agreements in Tanzania. Commitments include two exploration wells to be drilled before February 2016.

Directors' Report

Significant affairs after reporting date (continued)

Key Management Personnel Changes

On 24 February 2014, Otto announced the appointment of Mr Matthew Allen as Chief Exploration Officer following the mutually agreed resignation of Mr Gregor McNab due to personal reasons.

On 26 February 2014, it was announced that Mr Paul Senyica had been appointed Vice President, Exploration and New Ventures, Mr Craig Hasson appointed as Chief Financial Officer and Mr Scott Blenkinsop appointed as Company Secretary.

There are no other events occurring after the reporting period that would have a material impact on the Group's operations.

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

13 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2013

	Note	31/12/2013 US\$'000	31/12/2012 US\$'000
Revenue from sale of oil		23,202	24,265
Cost of production		(9,794)	(7,171)
Gross Profit		13,408	17,094
Other revenue		3,340	1,645
Loss disposal of asset		(1)	(2,653)
Other expenses from ordinary activities			
Employee benefit expense		(4,315)	(3,305)
Depreciation & amortisation		(2,263)	(2,931)
Finance expenses		(1,263)	-
Loss on derivative through profit or loss		(2,114)	-
Impairment of exploration and evaluation assets	6	(23,430)	-
Other expenses		(2,647)	(6,867)
Foreign currency (losses)/gains		(60)	11
(Loss)/Profit before income tax		(19,345)	2,994
Income tax benefit/(expense)		4,941	(877)
Net (loss)/profit for the period attributable to owners of Otto Energy Limited		(14,404)	2,117
Total comprehensive (loss)/income for the period attributable to owners of Otto Energy Limited		(14,404)	2,117
(Loss)/Earnings per share from continuing operations:			
Basic (loss)/earnings per share (cents per share)		(1.26)	0.19
Diluted (loss)/earnings per share (cents per share)		(1.26)	0.18

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 2013

	Note	31/12/2013 US\$'000	30/6/2013 US\$'000
Current Assets			
Cash and cash equivalents	4	16,067	31,854
Trade and other receivables		1,760	2,747
Other current assets		727	942
Inventory		3,233	2,133
Derivative financial instruments		435	435
Total Current Assets		22,222	38,111
Non-Current Assets			
Other assets		7,964	7,341
Derivative financial instruments		671	1,481
Property, plant and equipment		667	894
Exploration and evaluation assets	6	8,161	22,437
Oil & gas properties	5	99,315	69,405
Deferred tax assets		1	1
Total Non-Current Assets		116,779	101,559
Total Assets		139,001	139,670
Current Liabilities			
Trade and other payables		8,069	8,766
Derivative financial liability		578	122
Borrowings	7	19,961	4,958
Provisions		185	279
Provision for income tax payable		-	651
Total Current Liabilities		28,793	14,776
Non-Current Liabilities			
Other payables		1,140	1,498
Borrowings	7	13,799	9,177
Deferred tax liabilities		11,422	16,459
Provisions		6,839	6,765
Total Non-Current Liabilities		33,200	33,899
Total Liabilities		61,993	48,675
NET ASSETS		77,008	90,995
EQUITY			
Contributed equity		131,577	131,577
Reserves		13,290	12,873
Accumulated losses		(67,859)	(53,455)
TOTAL EQUITY		77,008	90,995

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 2013

	Issued Capital US\$'000	Accumulated Losses US\$'000	Reserves US\$'000	Total Equity US\$'000
Balance at 1 July 2012	131,577	(62,897)	13,832	82,512
Total comprehensive income for the half-year				
Profit for the half-year	-	2,117	-	2,117
Total comprehensive income for the period	-	2,117	-	2,117
Transactions with owners in their capacity as owners				
Recognition of share based payments	-	-	191	191
Balance at 31 December 2012	131,577	(60,780)	14,023	84,820
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 income 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

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 2013

	Note	31/12/2013 US\$'000	31/12/2012 US\$'000
Cash flows from operating activities			
Receipts from customers		23,202	24,816
Payments to suppliers and employees		(11,334)	(9,353)
Interest received		10	15
Interest and financing cost paid		(1,025)	(6)
Income taxes paid		(770)	(2,603)
Net cash inflow from operating activities		10,083	12,869
Cash flows from investing activities			
Payments for property, plant and equipment		(144)	(438)
Proceeds from sale of property, plant and equipment		3	-
Payments for exploration and evaluation		(8,646)	(4,938)
Payments for oil and gas properties		(35,444)	(15,219)
Payments for bonds		(575)	(241)
Payments for farm-in		-	(1,315)
Net cash outflow from investing activities		(44,806)	(22,151)
Cash flows from financing activities			
Proceeds from loan drawdowns	7	19,084	-
Borrowing transaction costs paid		(100)	-
Net cash inflow from financing activities		18,984	-
Net decrease in cash and cash equivalents		(15,739)	(9,282)
Cash and cash equivalents at the beginning of the financial half-year		31,854	28,325
Effects of exchange rate changes on cash		(48)	-
Cash and cash equivalents at end of half-year	4	16,067	19,043

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 2013 were authorised for issue in accordance with a resolution of the directors on 13th March 2014.

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 2013 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 2013 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 2013.

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 2013.

New accounting standards and interpretations

In the half-year ended 31 December 2013, 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 2013.

The same accounting policies and methods of computation have been followed in these half-year financial statements as compared with the most recent annual financial statements, except as follows:

AASB 10 – Consolidated Financial Statements

AASB 11 – Joint Arrangements

AASB 13 – Fair Value Measurements

AASB 119 – Employee Benefits

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle.

The Group has considered the impact of AASB 10 & 11, and have determined that although there will be no measurement impact, the following classification changes are noted:

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 2013. 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.

Notes to the Consolidated Financial Statements

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 2013 is as follows:

31 December 2013	Australia US\$'000	Philippines US\$'000	Tanzania US\$'000	Other US\$'000	Consolidated US\$'000
Revenue from sale of oil	-	23,202	-	-	23,202
Cost of production	-	(9,794)	-	-	(9,794)
Gross Profit	-	13,408	-	-	13,408
Other revenue	2,864	476	-	-	3,340
Loss on disposal of asset	(1)	-	-	-	(1)
Employee benefit expense	(3,730)	(585)	-	-	(4,315)
Depreciation & amortisation	(268)	(1,995)	-	-	(2,263)
Finance expenses	(439)	(824)	-	-	(1,263)
Loss on derivative through profit or loss	-	(2,114)	-	-	(2,114)
Impairment of exploration and evaluation assets	-	(23,430)	-	-	(23,430)
Other expenses	(2,075)	(403)	-	(169)	(2,647)
Foreign currency losses	(67)	7	-	-	(60)
Net loss before income tax	(3,716)	(15,460)	-	(169)	(19,345)
Income tax benefit	-	4,941	-	-	4,941
Net loss for the half-year from continuing operations	(3,716)	(10,519)	-	(169)	(14,404)
Total Segment Assets	1,880	130,686	6,394	41	139,001
Total Segment Liabilities	1,064	60,921	-	8	61,993
31 December 2012	Australia US\$'000	Philippines US\$'000	Tanzania US\$'000	Other US\$'000	Consolidated US\$'000
Revenue from sale of oil	-	24,265	-	-	24,265
Cost of production	-	(7,171)	-	-	(7,171)
Gross Profit	-	17,094	-	-	17,094
Other revenue	1,298	347	-	-	1,645
Loss on disposal of asset	-	(2,653)	-	-	(2,653)
Employee benefit expense	(3,065)	(240)	-	-	(3,305)
Depreciation & amortisation	(257)	(2,674)	-	-	(2,931)
Other expenses	(1,668)	(5,177)	(9)	(13)	(6,867)
Foreign currency gains	9	2	-	-	11
Net profit before income tax	(3,683)	6,699	(9)	(13)	2,994
Income tax expense	-	(877)	-	-	(877)
Net profit for the half-year from continuing operations	(3,683)	5,822	(9)	(13)	2,117
30 June 2013	Australia US\$'000	Philippines US\$'000	Tanzania US\$'000	Other US\$'000	Consolidated US\$'000
Total Segment Assets	4,580	133,410	1,507	173	139,670
Total Segment Liabilities	1,076	47,581	-	18	48,675

Notes to the Consolidated Financial Statements

4. Cash and Cash Equivalents

	31/12/2013 US\$'000	30/06/2013 US\$'000
Cash at bank and in hand	16,067	31,854

5. Oil & Gas Properties

NON-CURRENT	31/12/2013 US\$'000	30/6/2013 US\$'000
Production assets – at cost	99,315	69,405
Movement in carrying amounts of Oil & Gas Properties		
As at 1 July	69,405	38,167
Additions	33,711	37,770
Amortisation	(3,801)	(6,532)
Net carrying value	99,315	69,405

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	31/12/2013 US\$'000	30/6/2013 US\$'000
Exploration and evaluation assets - at cost	8,161	22,437
Movement in carrying amounts of exploration and evaluation assets		
As at 1 July	22,437	13,740
Additions	9,154	7,382
Farm-in payment	-	1,315
Impairment of exploration and evaluation assets	(23,430)	-
Net carrying value	8,161	22,437

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.

During the half-year period, Otto relinquished its stake in SC69 on October 2013. Otto has also impaired the exploration and evaluation assets in SC51 following assessment of the unsuccessful Duhat-2 well.

Notes to the Consolidated Financial Statements

7. Borrowings

	Carrying amount of liability US\$'000
Balance at 30 June 2013	14,135
Drawdowns	19,084
Unwinding of borrowing costs	541
Balance at 31 December 2013	33,760

	31/12/2013 US\$'000	30/06/2013 US\$'000
Current liability	19,961	4,958
Non-current liability	13,799	9,177
	33,760	14,135

- i) As at 31 December 2013, the Facility has been fully drawn down.
- ii) The Facility expires 31 December 2015.
- iii) The Facility contains financial covenants which have been met.

8. Fair Value of Financial Instruments

Recurring fair value measurements

The following financial instruments are subject to recurring fair value measurements:

	31/12/2013 US\$'000	30/06/2013 US\$'000
Derivative assets		
Current commodity options – Level 2	435	435
Non-current commodity options – Level 2	671	1,481
Total derivative assets	1,106	1,916
Derivative liability		
Commodity swaps – Level 2	578	122

Fair value hierarchy

AASB 13 Fair Value Measurement requires disclosure of fair value measurements by level in the fair value measurement hierarchy as follows:

Level 1	the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	a valuation technique is used using inputs other than quoted prices within level 1 that are observable for the financial instrument, either directly (i.e. as prices), or indirectly (i.e. derived from prices)
Level 3	a valuation technique is used using inputs that are not observable based on observable market data (unobservable inputs).

Notes to the Consolidated Financial Statements

8. Fair Value of Financial Instruments (continued)

Valuation technique used to derive level 2 fair values

The fair value of derivatives not traded in an active market (interest rate swaps) is determined using valuation techniques which uses only observable market data. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. There has been no change in the valuation technique used since the end of the previous annual reporting period.

Due to their short-term nature, the carrying amounts of current receivables, current trade and other payables and current interest-bearing liabilities is assumed to approximate their fair value.

9. Commitments

There has been no material change to the capital expenditure commitments as disclosed in the 30 June 2013 Annual Report.

10. Contingent Liabilities and Contingent Assets

Contractual Disputes – Service Contract 14C-Phase II

The Service Contract 14C (Service Contract) Phase II development reached completion on 5 December 2013. DOF Subsea Australia (DOF) and Galoc Production Company (GPC) - a subsidiary of Otto and Operator of the Service Contract - are parties to an EPIC contract under which DOF carried out subsea engineering, procurement, construction and installation works for the Phase II development. DOF has commenced proceedings in the Federal Court in relation to certain claims alleged to arise out of the EPIC contract. Otto and GPC are defending the claims. Otto considers the probability of any material financial outflow from the consolidated entity to be unlikely.

There has been no other material change to the contingencies as disclosed in the 30 June 2013 Annual Report.

11. Related Party Transactions

On 2 December 2013, the Group issued 8,000,000 Unlisted Employee Options exercisable at AUD\$11.13 cents each on or before 2 December 2016, to Mr Ian Boserio, Mr John Jetter and Mr Rufino Bomasang, as approved by the shareholders at the Annual General Meeting held on 14 November 2013.

Valuation of the unlisted options issued was calculated using the Black Scholes Model method with the key terms as follows:

Volatility	: 90%
Risk Free Rate	: 3.02%
Value per option	: AUD\$0.041
Vesting Date	: 14 November 2013
Expiry Date	: 2 December 2016

Notes to the Consolidated Financial Statements

11. Related Party Transactions (continued)

The table below outlines the Director options issued and expired during the period ending 31 December 2013:

2013	Balance at 30 Jun 2013	Granted as Compensation	Lapsed	Balance at 31 Dec 2013	Vested and Exercisable
Directors of Otto Energy Limited					
Mr R Crabb	-	-	-	-	-
Mr I MacIver	-	-	-	-	-
Mr I Boserio	3,000,000	3,000,000	(3,000,000)	3,000,000	3,000,000
Mr J Jetter	3,000,000	3,000,000	(3,000,000)	3,000,000	3,000,000
Mr R Bomasang	-	2,000,000	-	2,000,000	2,000,000
	6,000,000	8,000,000	(6,000,000)	8,000,000	8,000,000

12. Events occurring after reporting period

Service Contract 55, Philippines

In January 2014 Otto, executed agreements with BHP Billiton Petroleum (Philippines) Corporation to terminate the farm-out agreement over Service Contract 55. Under the terms of the agreement BHP Billiton will pay Otto \$3.0 million upon DOE approval of re-assignment and a further \$24.5 million upon drilling of a well.

Otto has submitted a request to the Philippines Department of Energy (DOE) for re-assignment of BHPB's 60% working interest to Otto, taking Otto's working interest in SC55 to 93.18%.

Otto has commenced a farm-out process intended to introduce a new partner into the joint venture to participate in the drilling of the Hawkeye-1 exploration well.

Tanzania Exploration

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Key Management Personnel Changes

On 24 February 2014, the Group announced the appointment of Mr Matthew Allen as Chief Executive Officer following the mutually agreed resignation of Mr Gregor McNab due to personal reasons.

On 26 February 2014, it was announced that Mr Paul Senyica had been appointed the Vice President, Exploration and New Ventures, Mr Craig Hasson appointed as Chief Financial Officer and Mr Scott Blenkinsop appointed as Company Secretary.

There are no other events occurring after the reporting period that would have a material impact on the Group's operations.

13. Dividends

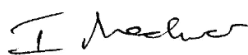
Since the end of the previous financial year, no dividend has been paid or declared. (2012: Nil)

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 2013 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

13 March 2014

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 2013, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

1. the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. 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, 13 March 2014

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 2013, 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 2013 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 2013 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 black ink. The signature appears to be 'BDO' on the first line and 'BMcV' followed by a large, sweeping flourish on the second line.

Brad McVeigh

Director

Perth, 13 March 2014