15 March 2013

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

By E-Lodgement

Highlights:

- **HALF YEAR RESULTS RELEASED**

Otto Energy Ltd (ASX : OEL) is pleased to announce that it has released the 31 December 2012 Half-Year Report, available from www.ottoenergy.com.

Yours faithfully

Gregor McNab
Chief Executive Officer

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
Gregor McNab	CEO
Matthew Allen	CFO/Coy Secretary

www.ottoenergy.com

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Otto Energy Limited

ABN: 56 107 555 046

Interim Report
For the half-year ended
31 December 2012

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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 Macliver – Non-Executive Director
Mr Ian Boserio – Non-Executive Director

Company Secretary
Mr Matthew Allen

Executive Management
Mr Gregor McNab - Chief Executive Officer
Mr Matthew Allen – Chief Financial Officer
Mr Paul Senycia – Exploration Manager

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32 Delhi Street
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www.ottoenergy.com

Auditors
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38 Station Street
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Share Registry
Link Market Services Limited
178 St Georges Terrace
Perth WA 6000
Tel: +61 8 9211 6670
Fax: +61 2 9287 0303

Home Stock Exchange
Australian Securities Exchange
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ASX Code: OEL

Banks
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Perth WA 6000
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Directors' Report

Your Directors submit their report on the consolidated entity for the half-year ended 31 December 2012.

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 Matthew Allen

Review and results of operations

The Group experienced an increase in revenue during the half-year. Sales revenue for the half-year was $24.3 million (2011: $19.65 million). This was a result of the Otto Energy Ltd (Otto) owning a controlling stake in Galoc Production Company WLL (GPC) for the full six months to 31 December 2012 compared to three months from 1 October to 31 December 2011. Gross profit also increased for the half-year to $18.20 million (2011: $11.16 million).

Consolidated net profit from operations after income tax for the half-year was $2.12 million (2011: net profit of $15.07 million). The 2011 net profit was significantly higher due to the $20.19 million gain on the deemed disposal of associate upon GPC becoming a controlled entity.

Final Investment Decision approving the Phase II development of the Galoc oil field was achieved in September 2012. The Phase II development, which has the support of the joint venture, will require the drilling of two subsea wells, tied back to the existing Floating Production, Storage & Offloading (FPSO) facility. The delivery of Phase II and ongoing production operations will be managed by Otto as Operator of the Galoc oil field and the SC14C joint venture. Furthermore, in December 2012 Otto entered into a binding agreement with BNP Paribas to provide US$37.4 million in project financing for its share of capital expenditure committed to the Galoc Phase II development.

In September 2012 Otto purchased a 40% working interest in SC51 North Block from SWAN Oil & Gas Limited for $1.32 million, increasing Otto's working interest in SC51 North Block from 40% to 80%.

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.

I Macliver

Mr I Macliver
Director

15 March 2013

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2012

	Note	31/12/2012 US$'000	31/12/2011 US$'000
Revenue from sale of oil		24,265	19,649
Cost of production		(6,069)	(8,491)
Gross Profit		**18,196**	**11,158**
Other revenue		1,645	607
Profit on Sale of Associate	7	-	20,193
(Loss) / Profit on disposal of working interest	8	(2,653)	332
Other expenses from ordinary activities			
Employee benefit expense		(3,305)	(2,651)
Depreciation & Amortisation		(4,033)	(4,676)
Other expenses		(6,867)	(4,091)
Foreign currency gains/(losses)		11	(100)
Share of net losses of associates		-	(1,987)
Profit before income tax		**2,994**	**18,785**
Income tax expense		(877)	(3,714)
Net profit for the period attributable to owners of Otto Energy Limited		**2,117**	**15,071**
Other comprehensive income			
Foreign currency translation differences for foreign operations		-	1,295
Other comprehensive income for the period		**-**	**1,295**
Total comprehensive income for the period attributable to owners of Otto Energy Limited		**2,117**	**16,366**
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share (cents per share)		0.19	1.44
Diluted earnings per share (cents per share)		0.18	1.44

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 2012

	Note	31/12/2012 US$'000	30/6/2012 US$'000
Current Assets			
Cash and cash equivalents	4	19,043	28,325
Trade and other receivables		3,057	2,044
Other current assets		447	10,351
Inventory		5,109	5,321
Total Current Assets		**27,656**	**46,041**
Non-Current Assets			
Trade and other receivables		8,318	6,721
Property, plant and equipment		962	818
Exploration and Evaluation	6	19,992	13,740
Oil & Gas Properties	5	49,619	38,167
Deferred Tax Assets		1	1,937
Total Non-Current Assets		**78,892**	**61,383**
Total Assets		**106,548**	**107,424**
Current Liabilities			
Trade and other payables		3,489	6,210
Provision for Income Tax Payable		64	739
Provisions		189	-
Total Current Liabilities		**3,742**	**6,949**
Non-Current Liabilities			
Deferred tax liabilities		11,226	11,246
Provisions		6,760	6,717
Total Non-Current Liabilities		**17,986**	**17,963**
Total Liabilities		**21,728**	**24,912**
NET ASSETS		**84,820**	**82,512**
EQUITY			
Contributed equity		131,577	131,577
Reserves		14,023	13,832
Accumulated losses		(60,780)	(62,897)
TOTAL EQUITY		**84,820**	**82,512**

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 2012

	Issued Capital US$'000	Accumulated Losses US$'000	Reserves US$'000	Total Equity US$'000
Balance at 1 July 2011	131,577	(77,683)	12,162	66,056
Total comprehensive income for the half year				
Profit	-	15,071	-	15,071
Other comprehensive income				
Foreign currency translation differences	-	-	1,295	1,295
Total comprehensive income for the period	-	15,071	1,295	16,366
Transactions with owners in their capacity as owners				
Issued options during the period	-	-	38	38
Balance at 31 December 2011	**131,577**	**(62,612)**	**13,495**	**82,460**
Balance at 1 July 2012	131,577	(62,897)	13,832	82,512
Total comprehensive income for the half year				
Profit	-	2,117	-	2,117
Total comprehensive income for the period	**-**	**2,117**	**-**	**2,117**
Transactions with owners in their capacity as owners				
Share based payments expense	-	-	191	191
Balance at 31 December 2012	**131,577**	**(60,780)**	**14,023**	**84,820**

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 2012

	Note	31/12/2012 US$'000	31/12/2011 US$'000
Cash flows from operating activities			
Receipts from customers (exclusive of goods and services tax)		24,816	19,948
Payments to suppliers and employees (exclusive of goods and services tax)		(9,353)	(3,939)
Interest Received		15	-
Interest paid		(6)	(12)
Income Taxes Paid		(2,603)	(2,191)
Net cash inflow from operating activities		**12,869**	**13,806**
Cash flows from investing activities			
Dividend Received		-	6,872
Payments for property, plant and equipment		(438)	(379)
Payments for exploration and evaluation		(4,938)	(3,229)
Payments for purchase of subsidiary		-	(51,735)
Payments for oil and gas properties		(15,219)	(4,759)
Payments for bonds		(241)	-
Proceeds from farm-out		-	28,406
Payments for farm-in		(1,315)	-
Proceeds of subsidiary net cash acquired		-	14,150
Net cash (outflow) from investing activities		**(22,151)**	**(10,674)**
Cash flows from financing activities			
Net cash inflow from financing activities		**-**	**-**
Net (decrease) / increase in cash and cash equivalents		(9,282)	3,132
Cash and cash equivalents at the beginning of the financial half year		28,325	35,584
Cash and cash equivalents at end of half year	4	**19,043**	**38,716**

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 2012 were authorised for issue in accordance with a resolution of the directors on 15th March 2013.

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 2012 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 2012 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 2012.

The accounting policies adopted in the preparation of the interim condensed consolidated financial report are consistent with those followed in the preparation of the Group's financial report for the year ended 30 June 2012.

New accounting standards and interpretations

In the half-year ended 31 December 2012, 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 2012.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

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 2012. 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 and, therefore, no change is necessary to Group accounting policies.

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 basis of determining segments has changed from the last annual financial report to show Australia and Tanzania separately and allocate consolidation adjustments to the relevant segments. Comparatives have been restated to be consistent.

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 2012 is as follows:

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 Sales	-	(6,069)	-	-	(6,069)
Gross Profit	**-**	**18,196**	**-**	**-**	**18,196**
Other Revenue	1,298	347	-	-	1,645
Loss on Sale of Asset	-	(2,653)	-	-	(2,653)
Foreign currency gains	9	2	-	-	11
Employee benefit expense	(3,065)	(240)	-	-	(3,305)
Depreciation & Amortisation	(257)	(3,776)	-	-	(4,033)
Other expenses	(1,668)	(5,177)	(9)	(13)	(6,867)
Net (loss) / profit before income tax	**(3,683)**	**6,699**	**(9)**	**(13)**	**2,994**
Income tax expense	-	(877)	-	-	(877)
Net (loss) / profit for the half year from continuing operations	**(3,683)**	**5,822**	**(9)**	**(13)**	**2,117**
Total Segment Assets	**3,939**	**101,350**	**1,079**	**180**	**106,548**
Total Segment Liabilities	**1,575**	**20,136**	**-**	**17**	**21,728**

31 December 2011	Australia US$'000	Philippines US$'000	Tanzania US$'000	Other US$'000	Consolidated US$'000
Revenue from sale of oil	-	19,649	-	-	19,649
Cost of Sales	-	(8,491)	-	-	(8,491)
Gross Profit	**-**	**11,158**	**-**	**-**	**11,158**
Other Revenue	214	391	-	2	607
Share of net losses of associates	(1,987)	-	-	-	(1,987)
Profit on Sale of Asset	-	332	-	-	332
Profit on Sale of Associate	12,069	8,124	-	-	20,193
Foreign currency losses	(62)	(37)	-	(1)	(100)
Employee benefit expense	(1,922)	(729)	-	-	(2,651)
Depreciation & Amortisation	(145)	(4,531)	-	-	(4,676)
Other expenses	(2,678)	(124)	-	(1,289)	(4,091)
Net profit / (loss) before income tax	**5,489**	**14,584**	**-**	**(1,288)**	**18,785**
Income tax expense	-	(3,865)	-	151	(3,714)
Net profit / (loss) for the half year from continuing operations	**5,489**	**10,719**	**-**	**(1,137)**	**15,071**
30 June 2012					
Total Segment Assets	**3,258**	**101,865**	**589**	**1,712**	**107,424**
Total Segment Liabilities	**866**	**24,031**	**-**	**15**	**24,912**

Notes to the Consolidated Financial Statements

4. Cash and Cash Equivalents

	31/12/2012 US$'000	30/06/2012 US$'000
Cash at bank and in hand	19,043	23,781
Short-term bank deposits	-	4,544
	19,043	28,325

5. Oil & Gas Properties

NON-CURRENT	31/12/2012 US$'000	30/6/2012 US$'000
Production assets – at cost	48,922	38,167
Movement in carrying amounts of Oil & Gas Properties		
As at 1 July	38,167	-
Additions	15,219	78,207
Farm down (i)	-	(28,074)
Amortisation	(3,767)	(11,966)
Net carrying value	49,619	38,167

(i) On 30th September 2011, the Group entered into a Farmout agreement for 26.84473% participating interest of the Galoc Joint Venture working interest reducing the JV working interest from 59.84473% to 33%.

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	31/12/2012 US$'000	30/6/2012 US$'000
Exploration and evaluation assets - at cost	19,992	13,740
Movement in carrying amounts of exploration and evaluation assets		
As at 1 July	13,740	13,831
Additions	4,937	2,761
Farm-in payment / (contribution)	1,315	(2,852)
Net carrying value	19,992	13,740

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.

7. Sale of Associate

On 30th September 2011, the Group acquired a 68.62% interest in the Galoc Production Company WLL ("GPC"), the operator of the Galoc Joint Venture, from Vitol Group, increasing Otto's interest in GPC from 31.38% to 100%. The increase in equity to 100% classifies the investment in GPC as a subsidiary effective from this date. A deemed sale of associate occurred on this date and a profit of $20,193,000 was recognised.

Notes to the Consolidated Financial Statements

8. Disposal of working interest

On 30th September 2011, the Group entered into a Farmout agreement for 26.84473% participating interest of the Galoc Joint Venture for $28,406,000 consideration reducing the Otto JV working interest from 59.84473% to 33%. The gain on farm down was $332,000 for the period ending 31 December 2011. Subsequently, in the six months ending 31 December 2012 a working capital adjustment and settlement was agreed which resulted in Otto payments of $2,653,000 in relation to the disposal of the 26.84473% working interest.

9. Commitments

Since the end of the previous annual reporting period, 30 June 2012 additional commitments have been entered into in relation to the Galoc Phase II development. Otto's share of Galoc Phase II commitments as at 31 December totalled $22.04 million.

10. Contingent Liabilities and Contingent Assets

There have been no changes in contingent liabilities or contingent assets since the end of the previous annual reporting period, 30 June 2012.

11. Events occurring after reporting period

On 1 February 2013, 15,700,000 Performance Rights were issued under the Company's Employee Performance Rights Plan.

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

12. Dividends

The Company has not paid or proposed a dividend during the financial period (2011: nil).

Director's Declaration

In the Directors' opinion:

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

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

   (ii) giving a true and fair view of the group's financial position as at 31 December 2012 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

15 March 2013

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

15 March 2013

The Board of Directors
Otto Energy Limited
32 Delhi Street, West Perth
PERTH, WA 6005
Australia

Dear Sirs,

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 2012, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- 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

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Perth, Western Australia

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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 2012, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 disclosing entity 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 disclosing entity 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 2012 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 2012 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, Western Australia
Dated this 15th day of March 2013