



15 March 2012

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 2011 Half-Year Report, available from www.ottoenergy.com.

Otto's Chief Executive Officer Mr Gregor McNab said the strong results reflected the efforts of the company during the six month reporting period. "These results are a direct outcome of the focus to improve uptime at our core production asset at the Galoc Oil Field and maturing our exploration program in Service Contracts 55 and 69 in the Philippines. Otto is well positioned leading into 2012 with a high impact exploration program and further development with the proposed Phase II at the Galoc oil field".

Yours faithfully

Gregor McNab
Chief Executive Officer

OTTO AT A GLANCE

- ASX-listed oil and gas company with significant growth potential.
- Operator of the producing Galoc Oil Field which provides cash flow and expansion potential.
- High impact exploration program in SC55 offshore Philippines in 2012.
- Successful entry into East Africa, complementing prospective exploration portfolio in the Philippines.

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 |

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**OTTO ENERGY LIMITED
AND CONTROLLED ENTITIES**

**INTERIM REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2011**

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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 Senyacia – Exploration Manager

Registered and Head Office

32 Delhi Street
West Perth WA 6005
Tel: +61 8 6467 8800
Fax: +61 8 6467 8801

Website

www.ottoenergy.com

Auditors

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

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
Level 2, 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 2595
Fax: +61 8 9426 2288

HSBC
188-190 St Georges Terrace
Perth WA 6000
Tel: +61 8 9320 9822
Fax: +61 8 9320 9820

Directors' Report

Your Directors submit their report on the consolidated entity for the half-year ended 31 December 2011.

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
Mr Paul Moore – resigned 1 July 2011.

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 \$19.65 million (2010: \$0.1 million). This was a result of the Otto Energy Ltd (Otto) acquiring a controlling stake in Galoc Production Company WLL (GPC) and decreasing to a direct 33.00% working interest in the Galoc Joint Venture. Gross profit also increased for the half-year to \$11.16 million (2010: \$0.1 million).

Consolidated net profit from continuing operations after income tax for the half-year was \$15.07 million (2010: \$4.29 million). This was a result of the Otto acquiring a controlling stake in Galoc Production Company WLL and increasing to a direct 33.00% working interest in the Galoc Joint Venture. The group acquired 100% investment in Galoc Production Company WLL for consideration of USD \$51.7 million. Through the acquisition Otto increased its stake to 59.84% of Service Contract 14C. Otto has agreed to farmout, 26.84% of this stake to Singapore energy investment company Risco Energy Pte Ltd, bringing Otto's post acquisition stake in Galoc to 33.00% for the consideration of \$28.41 million.

Continued production by the Galoc Oil Field prior to 30 September 2011, delivered two off takes resulting in a dividend payment of \$6.87 million after deduction of operating/lifting costs. The final reimbursement of past costs from the SC55 farm down to BHP Billiton of \$2.30 million was received in January 2012.

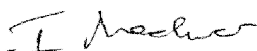
Rounding

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

15 March 2012

Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2011

| | Note | Consolidated | |
|---|------|------------------------|------------------------|
| | | 31/12/2011 US\$'000 | 31/12/2010 US\$'000 |
| Continuing Operations | | | |
| Revenue from sale of gas | | 19,649 | 97 |
| Total revenue | | <u>19,649</u> | <u>97</u> |
| Cost of sales | | (8,491) | - |
| Gross Profit | | <u>11,158</u> | <u>97</u> |
| Other revenue | | 607 | 11 |
| Profit /(Loss) on Sale of Associate | 7 | 20,193 | - |
| Profit on disposal of working interest | 8 | 332 | - |
| Share of net profits/(losses) of associates | | (1,987) | 14,856 |
| Foreign currency gains/(losses) | | (100) | (6,150) |
| Employee benefit expense | | (2,651) | (2,146) |
| Depreciation & Amortisation | | (4,676) | - |
| Impairment expense | | - | (35) |
| Other expenses | | (4,091) | (2,685) |
| Profit/(loss) before income tax | | <u>18,785</u> | <u>3,948</u> |
| Income tax expense | | (3,714) | (201) |
| Net profit/(loss) for the year from continuing operations | | <u>15,071</u> | <u>3,747</u> |
| Discontinued Operations | | | |
| Profit for the year from discontinued operation | | - | 539 |
| Net profit/(loss) for the year attributable to owners of Otto Energy Limited | | <u>15,071</u> | <u>4,286</u> |
| Other comprehensive (loss) | | | |
| Foreign currency translation differences for foreign operations | | 1,295 | - |
| Other comprehensive loss for the period | | <u>1,295</u> | <u>-</u> |
| Total comprehensive profit/(loss) for the year attributable to owners of Otto Energy Limited | | | |
| | | <u>16,366</u> | <u>4,286</u> |
| Earnings per share | | | |
| | | Cents | Cents |
| Basic earnings/(loss) per share – continuing operations | | 1.44 | 0.40 |
| Basic earnings/(loss) per share | | 1.44 | 0.40 |
| Diluted earnings/(loss) per share – continuing operations | | 1.44 | 0.40 |
| Diluted earnings/(loss) per share | | 1.44 | 0.40 |

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As At 31 December 2011

| | Note | Consolidated | |
|--------------------------------------|------|------------------------|-----------------------|
| | | 31/12/2011 US\$'000 | 30/6/2011 US\$'000 |
| Current Assets | | | |
| Cash and cash equivalents | 6 | 38,716 | 35,584 |
| Trade and other receivables | | 4,722 | 267 |
| Other current assets - prepayments | | 938 | 24 |
| Total Current Assets | | 44,376 | 35,875 |
| Non-Current Assets | | | |
| Trade and other receivables | | 12 | 10 |
| Intangible assets | 5 | - | 6,049 |
| Property, plant and equipment | | 828 | 702 |
| Exploration and Evaluation | 9 | 11,857 | 13,831 |
| Oil & Gas Properties | 8 | 38,317 | - |
| Deferred Tax Assets | | 817 | - |
| Investments in Associate | 7 | - | 14,400 |
| Total Non-Current Assets | | 51,831 | 34,992 |
| Total Assets | | 96,207 | 70,867 |
| Current Liabilities | | | |
| Trade and other payables | | 9,868 | 4,751 |
| Income Tax Payable | | 3,779 | - |
| Total Current Liabilities | | 13,647 | 4,751 |
| Non-Current Liabilities | | | |
| Provisions | | 100 | 60 |
| Total Non-Current Liabilities | | 100 | 60 |
| Total Liabilities | | 13,747 | 4,811 |
| NET ASSETS | | 82,460 | 66,056 |
| EQUITY | | | |
| Contributed equity | | 131,577 | 131,577 |
| Reserves | | 13,495 | 12,162 |
| Accumulated losses | | (62,612) | (77,683) |
| TOTAL EQUITY | | 82,460 | 66,056 |

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

Statements of Changes in Equity

For the six months ended 31 December 2011

| Consolidated | Issued Capital US\$'000 | Accumulated Losses US\$'000 | Reserves US\$'000 | Total Equity US\$'000 |
|---|-------------------------------|-----------------------------------|----------------------|-----------------------------|
| Balance at 1 July 2010 | 127,360 | (88,742) | 14,104 | 52,722 |
| Total comprehensive income for the half year | | | | |
| Profit or loss | - | 4,287 | - | 4,287 |
| Total other comprehensive income for the period | - | 4,287 | - | 4,287 |
| Transactions with owners in their capacity as owners | | | | |
| Issued options during the period | - | - | 1,009 | 1,009 |
| Issued shares during the period | 2,585 | - | - | 2,585 |
| Balance at 31 December 2010 | 129,945 | (84,455) | 15,113 | 60,603 |
| Total comprehensive income for the half year | | | | |
| Profit or loss | - | 8,404 | - | 8,404 |
| Other comprehensive income | | | | |
| Foreign currency translation differences | 1,632 | (1,632) | (3,450) | (3,450) |
| Total comprehensive for the period | 1,632 | (1,632) | (3,450) | (3,450) |
| Transactions with owners in their capacity as owners | | | | |
| Issued options during the period | - | - | 500 | 500 |
| Balance at 30 June 2011 | 131,577 | (77,683) | 12,162 | 66,056 |
| Balance at 1 July 2011 | 131,577 | (77,683) | 12,162 | 66,056 |
| Total comprehensive income for the half year | | | | |
| Profit or loss | - | 15,071 | - | 15,071 |
| Other comprehensive income | | | | |
| Foreign currency translation differences | - | - | 1,295 | 1,295 |
| Total other 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 |

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

Consolidated Statement of Cash Flows

For the six months ended 31 December 2011

| | Note | Consolidated | |
|---|------|------------------------|------------------------|
| | | 31/12/2011 US\$'000 | 31/12/2010 US\$'000 |
| Cash flows from operating activities | | | |
| Receipts from customers (exclusive of goods and services tax) | | 19,948 | 4,025 |
| Payments to suppliers and employees (exclusive of goods and services tax) | | (3,940) | (4,865) |
| Interest paid | | (12) | (1) |
| Income Taxes Paid | | (2,191) | 259 |
| Net cash inflow/(outflow) from operating activities | | 13,805 | (582) |
| Cash flows from investing activities | | | |
| Dividend Received | | 6,872 | - |
| Payments for property, plant and equipment | | (379) | (195) |
| Payments for exploration and evaluation | | (3,229) | (5,645) |
| Payments for purchase of subsidiary | | (51,735) | - |
| Payments for oil and gas properties | | (4,759) | 27 |
| Proceeds from farmout | | 28,406 | - |
| Proceeds of subsidiary net cash acquired | | 14,150 | - |
| Repayment of loans repaid by associates | | - | 3,703 |
| Net cash (outflow) from investing activities | | (10,674) | (2,110) |
| Cash flows from financing activities | | | |
| Proceeds from issues of shares and other equity securities | | - | 2,593 |
| Share issue and buy-back transaction costs | | - | (8) |
| Repayment of borrowings | | - | (7) |
| Net cash inflow from financing activities | | - | 2,578 |
| Net increase (decrease) in cash and cash equivalents | | 3,132 | (98) |
| Cash and cash equivalents at the beginning of the financial year | | 35,584 | 29,230 |
| Effects of exchange rate changes on cash and cash equivalents | | - | 932 |
| Cash and cash equivalents at end of year | 7 | 38,716 | 30,065 |

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 2011 were authorised for issue in accordance with a resolution of the directors on 15th March 2012.

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 2011 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 2011 has been prepared in accordance with AASB 134 *Interim Financial Reporting*.

The interim consolidated financial report do 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 2011.

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 2011.

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 2 reportable segments. The basis of determining segments has not changed from the last annual financial report.

The segment information provided to the Executive Leadership Team for the reportable segments for the year ended 31 December 2011 is as follows:

| | Australia | Europe | Philippines | Consolidation Eliminations | Total |
|---------------------------------------|----------------|---------------|---------------|-------------------------------|---------------|
| 31 December 2011 | USD \$'000 | USD \$'000 | USD \$'000 | USD \$'000 | USD \$'000 |
| Revenue | - | - | 55,811 | (36,162) | 19,649 |
| Net profit/(loss) for the year | 3,568 | 5,740 | 17,315 | (10,257) | 16,667 |
| 31 December 2010 | | | | | |
| Revenue | 16 | 53 | 96 | 29 | 97 |
| Net profit/(loss) for the year | (8,915) | 539 | (198) | 12,861 | 4,287 |
| Total Segment Assets | | | | | |
| 31 December 2011 | 58,230 | - | 73,112 | (35,134) | 96,208 |
| 30 June 2011 | 54,938 | - | 32,980 | (17,051) | 70,867 |

Notes to the Consolidated Financial Statements

4. Business combinations

Acquisition of Galoc Production Company W.L.L

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 acquisition was completed on 30 September 2011 and the consideration paid was \$51,734,635. Details of the net assets acquired, goodwill and purchase consideration are as follows:

| | Deemed Fair value US\$'000 |
|--|---|
| Cash and cash equivalents | 18,102 |
| Trade and other receivables | 2,312 |
| Other current assets – prepayments | 358 |
| Inventory | 3,224 |
| Oil & Gas Properties | 60,734 |
| Borrowings | (3,937) |
| Trade and other payables | (4,026) |
| Income Tax Payable | (2,191) |
| Deferred Tax Asset | 817 |
| Net identifiable assets and liabilities | 75,393 |
| Net assets acquired | <u>75,393</u> |
| | |
| Purchase consideration comprises: | |
| Deemed Investment Held (31.38%) | 23,658 |
| Cash paid (68.62%) | 51,735 |
| Total purchase consideration | <u>75,393</u> |

Revenue and profit contribution

From the date of acquisition, Otto Energy Limited has not contributed to revenue or net profit of the group.

Acquisition-related costs

Legal fees, advisory costs, stamp duties and other acquisition-related costs of \$429,000 have been included in professional fees in the profit or loss.

The Company acquired control of GPC Investments SA on 30 September 2011 the ultimate parent company of Galoc Production Company WLL ("GPC"). At the time of preparing this interim consolidated financial report, the Company had not finalised its assessment of the fair values of the acquired assets and liabilities. The principal items for which the assessment of fair value is incomplete as at the date of this interim consolidated financial report are:

- Exploration and evaluation expenditure, including rights.
- Property, plant and equipment.
- Provision for environmental remediation.
- Taxation assets and liabilities, including an assessment of the continued availability of unutilised tax losses.

As the determination of the fair value of net assets acquired is incomplete, no amounts have been recognised in the interim consolidated financial report for goodwill or discount on acquisition.

Notes to the Consolidated Financial Statements

5. Goodwill

| | For the six months ended | |
|---|--------------------------|-----------|
| | 31/12/2011 | 30/6/2011 |
| | US\$'000 | US\$'000 |
| Balance as at 1 July | 6,048 | 6,048 |
| Disposal on investment in associate (i) | (6,048) | - |
| | - | 6,048 |

(i) Refer to Note 7 – Investments in Associates

6. Cash and Cash Equivalents

| | Consolidated | |
|--------------------------|--------------|------------|
| | 31/12/2011 | 31/12/2010 |
| | US\$'000 | US\$'000 |
| Cash at bank and in hand | 28,670 | 29,907 |
| Short-term bank deposits | 10,046 | 158 |
| | 38,716 | 30,065 |

7. Investments in Associates

| | For the six months ended | |
|--|--------------------------|-----------|
| | 31/12/2011 | 30/6/2011 |
| | US\$'000 | US\$'000 |
| a) Movements in carrying amounts | | |
| Carrying amount at the beginning of the financial period | 14,400 | 5,687 |
| Share of profits/(losses) after income tax | (10,110) | 22,771 |
| Dividends received/receivable | (6,872) | (14,058) |
| Carrying amount at the 30 September 2011 | 5,541 | 14,400 |
| Profit / (Loss) on deemed disposal of associate (i) | 20,192 | - |
| Disposal on investment in associate | 6,048 | - |
| Transfer to Investments in Subsidiary | (23,658) | - |
| Carrying amount at the 31 December 2011 | - | 14,400 |

The Group's share of the results of its principal associate and its aggregated assets (including goodwill) and liabilities are as follows:

Group's Share of:

| | Ownership Interest % | Assets US\$'000 | Liabilities US\$'000 | Accumulated Losses US\$'000 | Revenues US\$'000 | Net Profit/(Loss) US\$'000 |
|--------------------------------|----------------------------|--------------------|-------------------------|-----------------------------------|----------------------|----------------------------------|
| 30 September 2011 | | | | | | |
| Galoc Production Company W.L.L | 31.38 | 5,923 | 1,951 | (144) | 17,284 | (10,110) |
| 30 June 2011 | | | | | | |
| Galoc Production Company W.L.L | 31.38 | 13,814 | 983 | 8,712 | 57,717 | 22,771 |

(i) 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 occurred on this date and associate goodwill of \$6,049 was written off and a profit on \$12,069 was recognised.

Notes to the Consolidated Financial Statements

8. Oil & Gas Properties

| | For the six months ended | |
|--|--------------------------|-----------|
| | 31/12/2011 | 30/6/2011 |
| | US\$'000 | US\$'000 |
| NON-CURRENT | | |
| Production assets – at cost | 38,317 | - |
| | <u>38,317</u> | <u>-</u> |
| Movement in carrying amounts of exploration and evaluation assets | | |
| As at 1 July | - | - |
| Additions | 70,898 | - |
| Farm down payment (i) | (28,074) | - |
| Amortisation | (4,507) | - |
| Net carrying value | <u>38,317</u> | <u>-</u> |

(i) On 30th September 2011, the Group entered into a Farmout agreement with GPC (2) Pte Ltd for 26.84473% participating interest of the Galoc Joint Venture working interest for \$28,406,028 reducing the JV working interest from 59.84473% to 33%. The current value of the Galoc Joint Venture interest in Galoc Production Company WLL ("GPC") is \$28,073,754 and the gain on farm down is \$332k.

9. Exploration and Evaluation Assets

| | For the six months ended | |
|--|--------------------------|---------------|
| | 31/12/2011 | 30/6/2011 |
| | US\$'000 | US\$'000 |
| NON-CURRENT | | |
| Exploration and evaluation assets - at cost | 11,857 | 13,831 |
| | <u>11,857</u> | <u>13,831</u> |
| Movement in carrying amounts of exploration and evaluation assets | | |
| As at 1 July | 13,831 | 5,823 |
| Additions | 326 | 8,043 |
| Farm in payment | (2,300) | - |
| Impairment write-down | - | (35) |
| Net carrying value | <u>11,857</u> | <u>13,831</u> |

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

10. Commitments

There have been no changes in commitments since the end of the previous annual reporting period, 30 June 2011.

11. 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 2011.

12. Share-Based Payments

During the six month period ended on 31 December 2011 the Group issued 1,250,000 options over unissued capital of the Company pursuant at an exercise price of \$0.12 that are exercisable before 13 October 2013 in accordance with the terms and conditions of the Employee Share Option Plan:

The assessed fair values at grant date of options granted to employees are detailed below;

| 2011 | |
|---------------------------------|-----------------|
| Grant date | 13 October 2011 |
| Exercise price – A\$ | \$0.12 |
| Expiry date | 13 October 2013 |
| Share price at grant date – A\$ | \$0.09 |
| Expected volatility | 80% |
| Expected dividend yield | Nil |
| Risk free rate | 3.79% |

The expected price volatility is based upon the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publically available information. The fair value of the options is calculated at the date of grant using the Black-Scholes Model.

13. Events occurring after reporting period

On 20th February 2012, Otto Energy Ltd acquired interests in two onshore Production Sharing Agreements (PSA's) in Tanzania from joint venture partner Swala Oil and Gas (Tanzania) Limited. The interests will be held by Otto subsidiary, Otto Energy (Tanzania) Pty Ltd. The assignment is subject to approval of the Tanzanian Government.

Under the terms of the transaction, Otto has agreed to acquire a 50% working interest, pursuant to the terms of the Area of Mutual Interest Agreement signed in January 2011, in the Kilosa-Kilombero Area and Pangani Area PSA's, both onshore Tanzania. The acquisition of the two blocks is consistent with Otto's strategy to obtain acreage in prospective areas on attractive terms at the beginning of the exploration lifecycle.

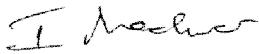
If results from the initial data acquisition are positive then the Otto-Swala joint venture can elect to acquire seismic data prior to committing to a well in either block. Such a phased approach to exploration allows commitment of funds to be closely aligned with emerging prospectively.

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
 - (ii) giving a true and fair view of the group's financial position as at 31 December 2011 and of its performance for the 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

15 March 2012

15 March 2012

The Board of Directors
Otto Energy Limited
32 Delhi Street,
WEST PERTH WA 6005

Dear Sirs,

DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF OTTO ENERGY LIMITED

As lead auditor of Otto Energy Limited for the period ended 31 December 2011, 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 half-year review; and
- 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.



Peter Toll
Director

BDO Audit (WA) Pty Ltd
Perth, Western 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 statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and 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 2011 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 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 2011 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


Peter Toll
Director

Perth, Western Australia
Dated this 15th day of March 2012