

30 October 2009  
 Manager of Company Announcements  
 ASX Limited  
 Level 6, 20 Bridge Street  
 SYDNEY NSW 2000

By E-Lodgement

## QUARTERLY REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2009

### OPERATIONS UPDATE

#### PHILIPPINES

##### Service Contract 14c - Galoc Oil Field (OEL indirect 18.78% WI)

Otto has an 18.78% indirect interest in the Galoc Field which is held through its shareholding in the Galoc Production Company W.L.L. (GPC), the Operator of the Galoc Field.

Since recommencing production in August 2009 production uptime at the Galoc Field has been approximately 99% for the quarter. During the quarter, the field has been producing within expected production rates of approximately 11,000 barrels of oil per day.

Cumulative gross oil production for the quarter was approximately 547,000 barrels. Two offtakes totalling approximately 539,000 barrels were successfully lifted during the quarter. Otto has commenced receiving cash distributions from GPC with \$3.338 million received from oil sale revenues in the quarter. As outlined in the Appendix 5B these cash distributions are currently being offset against a loan receivable from GPC.

Subsequent to the end of the quarter, production has been temporarily suspended pending completion of a cargo off-loading which has been delayed due to an issue with the FPSO export hose. The Rubicon Intrepid FPSO remains connected to the mooring and riser system and production will recommence once the cargo has been offloaded.

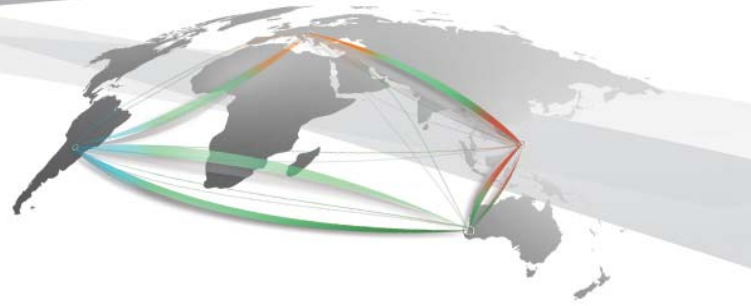
Otto has estimated Galoc gross remaining 2P Reserves to be 8.4 million at 30 June 2009 with Otto's share of the Galoc remaining 2P Reserves being approximately 1.46 million barrels. Galoc gross 2C and 1C Contingent Resources are estimated by Otto to be 6 million barrels and 2 million barrels respectively, a significant proportion of which Otto expects to be moved into the Reserves category in the event of a Phase 2 investment decision to develop.

#### OTTO AT A GLANCE

- ASX-listed oil and gas company with significant growth potential.
- Production from Galoc Oil Field provides cash flow.
- Phase I exploration drilling in Turkey completed.
- Development of gas field in Turkey to become second revenue-generating asset.
- Opportunity rich with substantial exploration prospects and leads in portfolio.
- Upcoming events including production revenues, farm-outs and exploration drilling to offer value creation for investors.

#### COMPANY OFFICERS

Rick Crabb	Chairman
Jaap Poll	Non-exec Director
Ian Macliver	Non exec Director
Rufino Bomasang	Non exec Director
John Jetter	Non exec Director
Paul Moore	CEO
Emma McCormack	Co Sec



#### Philippines Service Contracts SC 50, 51 and 55

During the quarter, the Philippines Department of Energy approved the request of Service Contract (SC) 55 joint venture partners to revise the work programme and budget for its current exploration sub-phase. The joint venture now has until August 2010 to complete a combined 2D/3D seismic programme and until August 2011 to drill one deep water well.

The Philippines Department of Energy also approved work programme revisions to SC50 and SC51. Under the revised work programmes two exploration wells will have to be drilled in SC50 by March 2011 and one exploration well in SC51 prior to December 2010.

Otto has recommenced farm down activities on its operated Philippine Service Contracts and is actively engaging with a number of potential farminees.

#### **TURKEY (OEL 35% WI; Non-operated)**

The Operator has commenced construction of the Edirne Gas Plant with site earthworks, pipe-laying and compressor installation currently underway. The Gas Plant is expected to be ready for commissioning and start up in the the first quarter of 2010. Otto is currently negotiating a Gas Gathering (Tolling) Agreement with the Joint Operators (PEMI and Petraco) who will own and operate the Gas Plant.

A preferred gas buyer has been selected by the Operator and Otto following the receipt of bids from a number of parties. Gas Sales Agreement negotiations with the preferred bidder are currently being finalised.

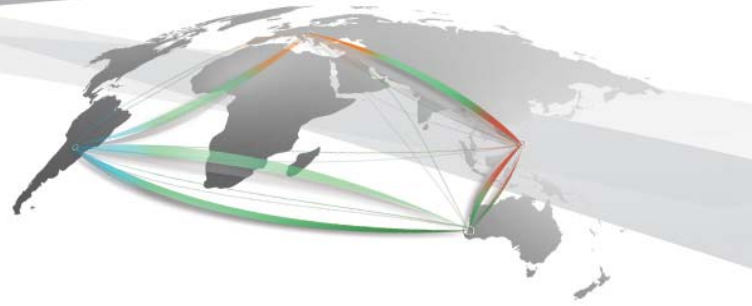
Following the completion of its most recent drilling campaign in Turkey, Otto has estimated its share (35%) of gross 2P Reserves to be 0.41 mmboe (2.47 Bcf of gas). Otto's share of additional 2C Contingent Resources have also been estimated at 0.09 mmboe (0.53 Bcf of gas) from the Kirmizihoyuk and Kuzey Ikihooyuk gas discoveries during the year. These two fields are classified as Contingent Resources at this stage as studies on these discoveries are continuing and the wells are yet to be incorporated in the Edirne Gas Development Plan.

#### **ITALY (OEL Earning 50% WI; Non-operated)**

During the quarter accrued costs associated with the Gazzata-1 well were paid by the Company. Otto is accessing new seismic data over the Centro-Bastiglia permits to assist in forming a view on the exploration potential of the block and any future exploration programme.

#### **ARGENTINA (OEL 32.48% WI; Non-operated)**

Otto has undertaken a technical review of the Santa Rosa block and well data obtained and has decided not to continue further exploration work in this block.



## CORPORATE

### CFO Appointment

Otto is also pleased to announce the appointment of Mr Matthew Allen as its new Chief Financial Officer, following the departure of Ms Ida Holt. Mr Allen has significant financial and hydrocarbon reserve accounting experience with a career spanning over 15 years in the oil/gas and finance industries. Prior to joining Otto, Mr Allen was the Finance Manager of Woodside Energy in Perth and Dubai.

Otto's cash reserves at the end of the quarter were \$10.554 million.

*The Reserve and Contingent Resource estimates outlined in this announcement have been compiled by Mr Craig Martin. Mr Martin is the Chief Operating Officer of Otto and a full time employee. Mr Martin has more than 20 years of relevant experience and is qualified in accordance with ASX Listing Rule 5.11. Mr Martin has consented to the form and context that this statement appears.*

*Further details in respect to Otto's reserve and resource estimates are outlined in its Annual Report to shareholders lodged with ASX on 19 October 2009.*

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

**OTTO ENERGY LIMITED**

ABN

56 107 555 046

Quarter ended ("current quarter")

30 September 2009

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(4,788)	(4,788)
(b) development	-	-
(c) production	-	-
(d) administration	(1,893)	(1,893)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	(4)	(4)
1.6 Tax expenses	-	-
1.7 Other – Recharge income	171	171
<b>Net Operating Cash Flows</b>	<b>(6,514)</b>	<b>(6,514)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospectus	-	-
(b) equity investments	-	-
(c) other fixed assets	(46)	(46)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	3,338	3,338
1.12 Other – Loans to associated entities	-	-
<b>Net investing cash flows</b>	<b>3,292</b>	<b>3,292</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(3,222)</b>	<b>(3,222)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(3,222)	(3,222)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(5)	(5)
1.18	Loan to Employee	-	-
1.19	Costs associated with issue of shares	(8)	(8)
	<b>Net financing cash flows</b>	(13)	(13)
	<b>Net increase (decrease) in cash held</b>	(3,235)	(3,235)
1.20	Cash at beginning of quarter/year to date	13,062	13,062
1.21	Exchange rate adjustments to item 1.20	727	727
1.22	<b>Cash at end of quarter</b>	10,554	10,554

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2 and 1.7	133
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
	Payments of Directors Fees	65
	Payments to Director Related Companies	68

**Non-cash financing and investing activities**

2.1	Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows	Nil
2.2	Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest	Nil

+ See chapter 19 for defined terms.

### Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$'000	Amount used \$'000
3.1	Loan facilities	Nil	Nil
	Loan facilities	Nil	Nil
3.2	Credit standby arrangements	Nil	Nil

### Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	5,100
4.2	Development	272
<b>Total</b>		<b>5,372</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	10,079	12,552
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other – Term Deposit	475	510
<b>Total: cash at end of quarter</b> (item 1.22)		<b>10,554</b>	<b>13,062</b>

### Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Nil	None		
6.2	Interests in mining tenements acquired or increased	Nil	None		

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	<b>Preference securities</b> <i>(description)</i>	Nil	Nil		
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	Nil	Nil		
7.3	<b>+Ordinary securities</b>	1,070,184,721	1,070,184,721		
7.4	Changes during quarter (a) - Increases through issues	Nil	Nil		
	(b) Decreases through returns of capital, buy-backs	Nil	Nil		
7.5	<b>+Convertible debt securities</b> <i>(description)</i>	Nil	Nil		
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	Nil	Nil		

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

7.7	<b>Options</b> <i>(description and conversion factor)</i>	119,855,350 Unlisted	Nil	4,000,067 Exercise Price \$0.20  3,999,967 Exercise Price \$0.30  1,999,966 Exercise Price \$0.40  8,000,000 Exercise Price \$0.34  7,750,000 Exercise Price \$0.30  11,000,000 Exercise Price \$0.30  1,500,000 Exercise Price \$0.35  2,500,000 Exercise Price \$0.60  2,000,000 Exercise Price \$0.60  61,855,350 Exercise Price \$0.05  7,500,000 Exercise Price \$0.12  6,000,000 Exercise Price \$0.12	On or before 29 May 2011  On or before 29 May 2011  On or before 29 May 2011  On or before 30 Nov 2009  On or before 17 Dec 2010  On or before 25 Jan 2011  On or before 10 Apr 2012  On or before 01 Aug 2012  On or before 15 Dec 2010  On or before 3 July 2010  On or before 30 June 2014  On or before 08 September 2012
7.8	Issued during quarter	6,000,000 Unlisted	Nil	6,000,000 Exercise Price \$0.12	On or before 08 September 2012
7.9	Exercised during quarter	Nil	Nil		
7.10	Expired during quarter	1,333,334 Unlisted  500,000 Unlisted  83,333 Unlisted  333,333 Unlisted  500,000 Unlisted	Nil  Nil  Nil  Nil  Nil	Exercise Price \$0.40  Exercise Price \$0.35  Exercise Price \$0.20  Exercise Price \$0.30  Exercise Price \$0.30	On or before 29 May 2011  On or before 10 April 2012  On or before 29 May 2011  On or before 29 May 2011  On or before 17 December 2010
7.11	<b>Debentures</b> <i>(totals only)</i>	Nil	Nil		

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**Appendix 5B**  
**Mining exploration entity quarterly report**

7.12	<b>Unsecured notes</b> ( <i>totals only</i> )	Nil	Nil		
	<b>Performance Based Shares</b>	2,504,000	Nil	2,500,000 Issue Price \$0.0001 cents	2,500,000 Issue Price \$0.0001 cents
				4,000 Converting Performance Shares	4,000 Converting Performance Shares
	Changes during quarter (a) Increases	Nil	Nil	Nil	Nil

**Compliance statement**

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Paul Moore  
 Chief Executive Officer  
 30 October 2009

+ See chapter 19 for defined terms.

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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