

## CHIEF EXECUTIVE OFFICER'S LETTER



Dear Shareholders,

I am pleased to have joined Otto Energy in July 2009 and deliver my first annual report as the Company's Chief Executive Officer.

2009 was a difficult year with high volatility in the oil price and reliability problems at the Galoc Oil Field. Conversely, we experienced ongoing exploration successes in Turkey and are now underway with the development of the onshore shallow gas fields at Edirne.

Elsewhere, in Argentina and Italy, our wildcat exploration programme was unsuccessful in finding hydrocarbons. It is likely that we will exit Argentina. Our plans to continue exploring in the highly prospective Po Valley in Italy are still being formulated having consideration to the hydrocarbon potential, cost of exploration, the market for gas and in context of Otto's other business opportunities.

Since joining Otto, I have focussed on three aspects of the Company's business:

1. Ensuring good industry practices are applied to the maturation of the exploration, development and production opportunities within our existing asset portfolio;
2. Realignment of functional skills and priorities to match needs in the current climate and to deliver on the commercialisation of the existing asset base; and
3. Cost control; ensuring we deliver our business outcomes cost effectively.

Looking forward, I see three focus areas for delivering improved shareholder value, which I will continue to elaborate on during 2009/10.

First, our goal is to improve production operations and generate enhanced earnings in the Galoc field via hardware upgrades, sound reservoir management, effective contractor relationships, and where feasible, further appraisal and sequential development. In addition we will bring into production our first onshore gas development in Turkey during the first half of 2010.

Second, we aim to capture further onshore appraisal/development opportunities during 2010 to build production supplementary to Galoc and Edirne and prior to capital commitments on future appraisal and development of our offshore portfolio in the Philippines.

Third, the highly prospective exploration portfolio in the Philippines, both offshore Palawan and in the East Visayan Basin will be matured. Our goal is to farm down in all our licences in a manner which facilitates cost effective exploration of these blocks.

In summary, over the current financial year I am committed to focusing on growth via a measured approach to projects, sound execution over a tighter geography and a cost effective corporate structure.

Paul Moore  
CEO