

29 April 2008

Manager of Company Announcements  
Australian Stock Exchange Limited  
Level 6, 20 Bridge Street  
SYDNEY NSW 2000

By E-Lodgement

**QUARTERLY REPORT FOR THE QUARTER ENDED 31 MARCH 2008  
AND APPENDIX 5B**

Please find attached the Company's quarterly report for the period ended 31 March 2008 together with an Appendix 5B.

For and on behalf of the Board.

Yours faithfully



**Alex Parks**  
Chief Executive Officer

## **OTTO ENERGY LIMITED**

### **Quarterly Report and Appendix 5B for the Quarter ended 31 March 2008**

The Board is pleased to provide the following commentary to be read in conjunction with the Appendix 5B attached.

#### **HIGHLIGHTS**

**In the Philippines, the Galoc Field Operator announced the successful drilling of the two Galoc development wells and completion of the sub-sea installation. The FPSO is to be mobilised shortly and first oil is scheduled for May.**

**In Turkey, Otto and its joint venture partners have announced gas discoveries in each of the two wells drilled so far in the five well drilling campaign which commenced in late March 2008. This follows on from the three gas discoveries from the prior drilling programs in 2005-06.**

**In Italy Otto will acquire the full 50% working interest of the Bastiglia-Cento Exploration Permits in the Po Valley by way of farm in.**

## EXPLORATION AND DEVELOPMENT ACTIVITIES

### (i) PHILIPPINES

*(Otto's current working interests in the Filipino Service Contracts, are held through its 100% owned subsidiary, NorAsian Energy Limited, ("NorAsian").*

#### **SC14C (Galoc Oil Field) (Otto 18.28%)**

(Service Contract 14C is situated offshore Northern Palawan in a proven oil and gas fairway which also contains Philippines largest oil and gas field Malampaya . Water depth at the Galoc Oil Field is around 290 metres.)

Galoc Production Company ("GPC"), Operator of the Galoc Field, announced the successful drilling and clean up of the two Galoc development wells in late February. Both development wells flowed "dry" oil and analysis of the data shows the full field production is likely to be in excess of 15,000 barrels of oil per day.

The Energy Searcher rig was released from the well location in early March and an installation vessel, Lewek Champion, arrived on site on 3 March. Installation of the sub-sea equipment including the mooring and riser system for the FPSO was completed by 27 March.

GPC recently announced that the pre-commissioning of the FPSO, Rubicon Intrepid, is nearing completion and the FPSO is expected to be mobilised to the Galoc Oil Field shortly. First oil is now scheduled for May.

#### **SC50 (Calauit Oil Field) (Otto 99%)**

(Service Contract 50 is situated at the north east end of the oil and gas prolific Palawan Basin. Water depths range from 50 metres to 150 metres. )

The 3D seismic interpretation is now complete and is being incorporated into a development concept for the field. In addition there are a number of geotechnical and pre-drill studies which have been ongoing throughout the Quarter.

As scheduled, the Joint Venture relinquished 25% of the Service Contract Area to the Government. The area relinquished has sparse seismic coverage and considered to be of low prospectivity.

#### Change in beneficial interest

In 2006 a farm in arrangement was made between Otto Energy and Vital Resources ("Vital") of Canada. Through a series of renegotiations Vital has progressively reduced their interest and most recently has relinquished their remaining 1% in the Contract Area. Otto's licence interest reverts to 85%.

Through a separate arrangement with Filipino company RGA Resources Inc. ("RGA") Otto advances exploration and development funds to RGA that will be repaid from future production revenues, effectively giving Otto a 99% beneficial interest in the Contract Area.

### **SC51 (Otto 80%)**

(Service Contract 51 consists of two sub-blocks over the East Visayan Basin).

During the Quarter the Joint Venture participants completed their interpretation of the 3D offshore seismic data acquired on the southern sub-block in late 2007. Otto is now seeking farm-in parties for a 2009 drilling program on the attractive Argao Prospect.

Persistent unseasonal rain forced the cancellation of the planned onshore 2D seismic program on Leyte Island on 28 March 2008. The planned geo-microbial survey to search for trace hydrocarbons in the topsoil has not been affected by the rainy conditions and has been able to proceed. This work involves collecting soil samples every 250 metres along and in between the intended seismic lines over the San Isidro and Calubian Dome structures. The crew was mobilised on 31 March and the survey is expected to be completed by end April 2008.

Other activity during the Quarter included various geoscience and engineering studies.

As scheduled, the Joint Venture relinquished 25% of the Service Contract Area to the Government. The area relinquished had only sparse seismic coverage and was the most environmentally sensitive area and considered to be of minimal overall impact to the value of the Contract Area.

### **SC55 (Otto 85%)**

(Service Contract SC55 covers an area of 9,000 sq. km and is the first ultra deepwater block awarded by the Philippines Department of Energy.)

Exploration activity during the Quarter was focused on integrating the 2D offshore seismic data acquired in late 2007 with existing 2D seismic. Of particular note the Marantao reef complex is now covered by modern closely spaced 2D seismic.

With the interpretation now complete, Otto is seeking farm-in parties for a 3D seismic survey over Marantao and a deepwater exploration drilling program.

In addition the Company continued with geotechnical studies including basin modelling and volumetrics of the mapped leads.

### **Area 8 (Otto 70%)**

(Area 8 lies between the islands of Cebu, Bohol and Leyte and substantially covers the Visayan Basin over an area of 7,004 sq. kms. The block lies between the two sub blocks of SC51 where NorAsian currently has an 80% interest.)

As reported previously, NorAsian and co-venturer TransAsia Oil & Energy were advised by the Department of Energy in the Philippines they had been ranked as the preferred bidder for Area 8 for award as an exploration Service Contract, the term of which will be for a seven year period. Area 8 is expected to be assigned during the June 2008 Quarter as the formal terms, work commitments and schedules are negotiated and finalized.

Given the blocks location adjoining SC51, this area offers significant follow up potential in additional structures if NorAsian has success in the drilling in the adjoining SC51.

**(ii) TURKEY - Onshore Thrace Basin**

**Edirne Licence (Otto 35%)**

Exploration activity during the , Quarter focused on continued interpretation of the 2D and 3D seismic data acquired in 2007 and mobilisation of the drill rig and consumables for the 2008 drilling program. The Joint Venture plans to drill five wells to prove up significant volumes of gas, combine these with the reserves already identified from the three gas discoveries from the previous drilling program, and have on production by mid 2009.

At the time of this report, the Joint Venture has drilled two wells from the current 5 well program. The first well, Ikihoeyuk#1, spudded on 24 March 2008 and in early April the Joint Venture announced this well had encountered substantial gas pay. The well was drilled to 520 metres and contains some 28 metres of potential net gas pay intervals between 323 metres and 468 metres. After logging and a production casing was run, the rig was moved to the second location to drill Kuzey Arpaci#1.

The Kuzey Arpaci#1 well encountered several potential net gas pay intervals totalling over 40 metres between 297metres and 505 metres. The well was drilled to total depth of 540metres. The well was cased to total depth for flow testing at the end of five well drilling program.

The two new gas discoveries and the earlier three discoveries are relatively close together and can be developed through a central development hub.

Gas marketing studies are ongoing and the JV Group has commenced application for a gas wholesale licence.

**Catalca and Ortakoy Licences (Otto 20% each)**

There was no exploration activity on the Catalca and Ortakoy licences during the Quarter.

**(iii) ARGENTINA - Cuyana Basin / Santa Rosa Licence (Otto earning 32.48%)**

As previously announced Otto will initially earn a 32.48% working interest in the Santa Rosa Block in the onshore Cuyana Basin of the Mendoza Province of Argentina, with the option to increase its interest to 41.24%.

As formal award of the licence was deferred to beyond the end of the Current Quarter there has been no exploration activity during the Quarter. Preparations for drilling of the giant Santa Rosa Dome will follow immediately upon award. It is expected that 2 wells will be drilled on Santa Rosa within 12 months of licence award.

**(iv) ITALY - Po Valley Basin (Otto earning 50%)**

The Bastiglia-Cento Permits are located in the Po Valley in Northern Italy. The Po Valley is a proven hydrocarbon Basin with over 13Tcf of gas and 342 MMbbls of oil discovered to date. The Bastiglia- Cento Permit area is surrounded by a number of substantial oil and gas fields that are currently on production. There is a good infrastructure of roads and pipelines criss-crossing the permits.

As a result of Deltana Energy Limited (“Deltana”) choosing not to exercise their option to acquire a 15% working interest from Otto before 31 March 2008, Otto will acquire the full 50% of the Bastiglia-Cento Exploration Permits from Ascent Resources Plc (“Ascent”)

To earn the 50% interest, Otto :

- has contributed Euro.2.15 million (A\$3.65 million) as a reimbursement of past costs and for the purchase of seismic data,
- has reimbursed Deltana for direct costs of A\$400,000,
- will pay 100% of the first Euro 3.486 million(approx. A\$ 6.5million) of the cost of drilling and testing the Gazzata-1 well and 50% of costs in excess of the Euro 3.486 million.
- in the event of a significant commercial gas discovery at Gazzata-1, Otto will also fund 100% of the cost of drilling and testing of a second well.

## CORPORATE

### (i) Capital Structure

During the Quarter shareholders approved the issue of 11 million options to directors of the Company. The options have an exercise price of 30 cents and are exercisable within three years of their issue date subject to their vesting conditions.

The current capital structure is:

	<u>Number</u>
<i>Listed:</i>	
Ordinary fully paid shares	<u>438,812,325</u>
<i>Unlisted:</i>	
Performance shares	2,500,000
Vendor options issued as part of the Galoc transaction (34 cents: 30 November 2009)	8,000,000
Director Options (30 cents : 24 January 2011)	11,000,000
Employee Plan Options (20, 30 & 40 cents: 29 May 2011)	11,450,000
Employee Plan Options (30 cents : 17 December 2010)	8,000,000
Consultant Options (20, 30&40 cents: 29 May 2011)	1,000,000
Consultant Options (30 cents: 17 December 2010)	<u>250,000</u>
	<u>42,200,000</u>

**Attribution:** The technical content of this release was provided by Otto’s Director, Dr Jaap Poll, a Certified Member of the American Association of Petroleum Geologists (AAPG) and a Distinguished Member of the Petroleum Exploration Society of Australia (PESA). Dr Poll is a competent person as defined in the 2004 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’. Dr Poll consents to the inclusion of the matters based on his information in the form and context in which it appears.

# 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")

31 March 2008

### 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	(5,011)	(14,929)
(b) development	-	-
(c) production – Bareboat Charter Payment	-	-
(d) administration	(1,165)	(3,221)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	234	433
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid - Turkey	-	(584)
1.7 Other –Sale of Turkish licences, net of VAT	-	5,520
Other		
<b>Net Operating Cash Flows</b>	<b>(5,942)</b>	<b>(12,781)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a)prospects	-	-
(b)equity investments	(2,504)	(61,020)
(c) other fixed assets	(66)	(111)
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	-	-
1.12 Other	-	-
<b>Net investing cash flows</b>	<b>(2,570)</b>	<b>(61,131)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(8,512)</b>	<b>(73,912)</b>

+ See chapter 19 for defined terms.

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

1.13	Total operating and investing cash flows (brought forward)	(8,512)	(73,912)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	79,070
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Costs associated with issue of shares	-	(3,337)
	<b>Net financing cash flows</b>	-	75,733
	<b>Net increase (decrease) in cash held</b>	(8,512)	1,821
1.20	Cash at beginning of quarter/year to date	15,402	5,191
1.21	Exchange rate adjustments to item 1.20	(158)	(280)
1.22	<b>Cash at end of quarter</b>	6,732	6,732

**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	120
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Payment of Consultancy to the Executive Director	42
Payments of Directors Fees	34
Payments to Director Related Companies	44

**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

Share and option issues

During the half year ended 31 December 2007 Otto issued 2,000,000 ordinary shares at \$0.32 per share and 8,000,000 options at \$0.18 per option as part consideration for the purchase of Colag UK Limited and Colag BVI Limited.

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

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	3,100
4.2 Development	1,700
<b>Total</b>	<b>4,800</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	4,139	12,529
5.2 Deposits at call	2,593	2,873
5.3 Bank overdraft	-	-
5.4 Other – Term Deposit	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>6,732</b>	<b>15,402</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	SC50-Philippines	98%	99%

+ 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>	438,812,325	438,812,325		
7.4	Changes during quarter (a) - Increases through issues  (b) Decreases through returns of capital, buy-backs	Nil  Nil	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>	39,700,000 Unlisted	Nil	4,483,400 Exercise Price 20 cents  4,483,300 Exercise Price 30 cents  3,483,300 Exercise Price 40 cents  8,000,000 Exercise Price 34 cents  8,250,000 Exercise Price 30 cents  11,000,000 Exercise Price 30 cents	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
7.8	Issued during quarter	11,000,000	Nil	11,000,000 Exercise Price 30 cents	On or before 25 Jan 2011
7.9	Exercised during quarter	Nil	Nil		
7.10	Expired during quarter	Nil	Nil		
7.11	<b>Debentures</b> <i>(totals only)</i>	Nil	Nil		
7.12	<b>Unsecured notes</b> <i>(totals only)</i>	Nil	Nil		
	<b>Performance Based Shares</b>	2,500,000	Nil	2,500,000 Issue Price \$0.0001 cents	2,500,000 issue Price \$0.0001 cents
	Changes during quarter (a) Increases	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.

Alex Parks  
Chief Executive Officer  
28 April 2008

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+ 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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