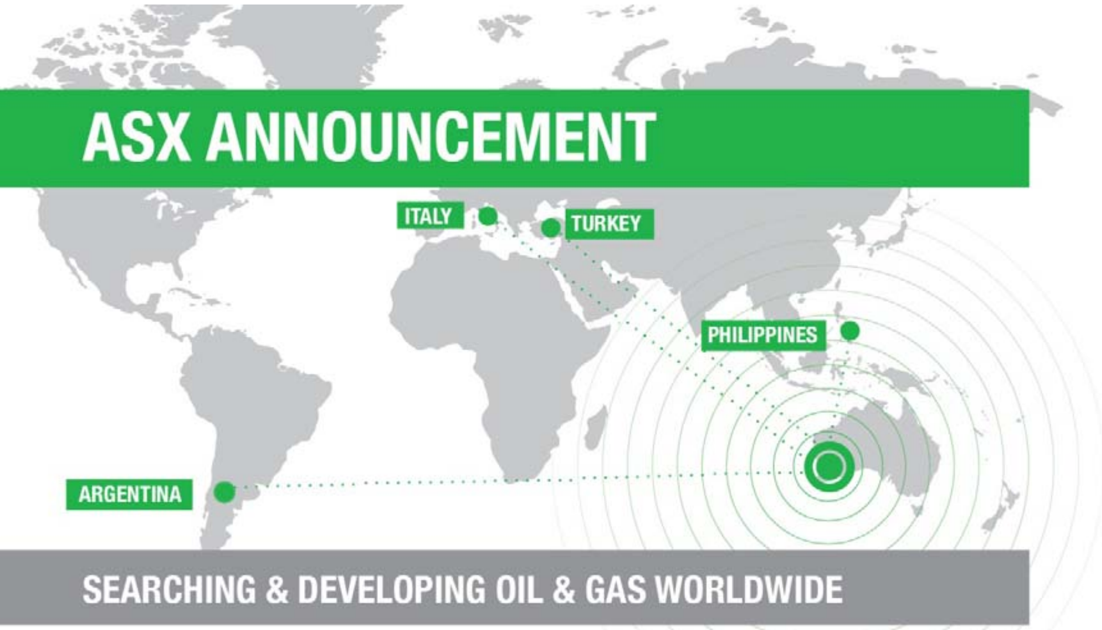

OTTO ENERGY LIMITED
ABN 56 107 555 046

Manager of Company Announcements
Australian Securities Exchange Level 6, 20 Bridge Street SYDNEY NSW 2000 By E-Lodgement

30 July 2008

QUARTERLY REPORT FOR PERIOD ENDED 30 JUNE 2008

Please find enclosed Otto Energy Ltd (ASX: OEL) Quarterly Report for the period ended 30 June 2008.

OPERATIONAL HIGHLIGHTS

Philippines

- FPSO onsite at Galoc Oil Field; first oil expected August 2008
- Otto awarded fourth and highly prospective offshore Service Contract 69 (Area 8)
- Farm out launched to secure joint venture partners for drilling programs in SC50, SC51 and SC55

Turkey

- 2008 drilling campaign in the Edirne licence completed with 4 additional gas discoveries from 4 wells for a total of 6 separate new gas field discoveries by the Joint Venture in this licence since the original permit acquisition in 2004.
- Project development program underway with first gas sales expected in mid 2009

Italy

- 50% farm-in of two licences onshore Po Valley concluded
- Preparations underway for drilling of Gazatta-1 during Q4 2008

HIGHLIGHTS

- **Strong board and management.**
- **World class portfolio across 4 countries.**
- **Imminent production from Galoc at 3000-4000 bopd net to Otto.**
- **6-10 well exploration campaign in 2008/09.**
- **Opportunity rich with**
  - 8 discoveries
  - 16 prospects
  - Over 60 leads
  in the portfolio.

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Argentina
- Santa Rosa Licence awarded
- Operator advises drilling to commence in early 2009

Corporate
- $15 million raised by way of share placement through Euroz Securities
- Corporate head office moved to 32 Delhi Street, West Perth 6005 Australia
- Additional senior management appointed

Alex Parks, CEO of Otto Energy said the past Quarter was extremely busy as the Company continues its substantial growth phase.

"The amount of activity undertaken by Otto during the quarter across all of our assets exemplifies our commitment to growing the Company. Over the last four months, we have invested significant capital and time to exploration and development activities across all of our assets. In the Philippines we are awaiting first oil now that the FPSO is on site; in Turkey we had a very successful exploration drilling campaign with 4 discoveries made from 4 wells drilled; we confirmed our farm in to the Po Valley in Italy and plan to start drilling there soon; and also confirmed our exploration licence in Argentina. During the quarter we also initiated the farm out process to secure joint venture partners for drilling campaigns in our very prospective offshore exploration blocks in the Philippines.

"During the quarter we also brought on additional senior management for both the corporate head office in Perth as well as for our technical team in Manila. We intend to maintain if not accelerate our activity level over the current and upcoming quarters, as we move closer towards first oil at Galoc which will leave us essentially self funded for the exploration drilling planned for Italy, Argentina and the Philippines in the next couple of years."

For more information please refer to the attached Exploration and Development Activities Summary and Financial Report.

Yours faithfully

Alex Parks
Chief Executive Officer

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EXPLORATION AND DEVELOPMENT ACTIVITIES SUMMARY

Operated Assets – 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. Otto holds an 18.3% indirect interest in the field via a 32% shareholding in the operating company Galoc Production Company ("GPC"), which holds a 58.29% working interest in the Galoc Licence.

The Rubicon Intrepid, Floating Production, Storage and Offloading System (FPSO) arrived at the Galoc Oil Field, on 11 May 2008. The operator of the field, GPC, advised the hook-up schedule would take approximately 3 weeks until "RFSU" (Ready for Start Up) when production may commence. Commissioning of the vessel was progressing when weather conditions in the Sulu Sea were influenced by Typhoon Fengshen. The FPSO was disconnected from the mooring and riser system on Friday 20 June 2008 and relocated to calmer waters to wait out the storm.

On 1 July 2008, the FPSO was mobilised back on site and reconnection procedures commenced. However, it became apparent that during disconnection the retrieval line was severed and damage was also identified in one section of the riser.

As a result, a new retrieval line and new section of riser was mobilised to the field from Singapore and current work is concentrated on repair of the riser. Additional support vessels are on site to assist with the repair work. Following which, function testing of the umbilical and wellhead valves will be undertaken as part of the integrity and systems safety check. The Operator now expects first oil to commence in August 2008.

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SC50 (Calauit Oil Fields-Otto 85%)
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 Contract Area contains the Calauit and Calauit South oil fields, which were discovered in 1991.

Appraisal planning for the Calauit fields in now in advanced stages. A preliminary drilling program has been prepared with long lead items, timeframes, equipment lists and costings identified. The Company is currently carrying out a market survey of available rigs for a 2009 drilling program. Otto has engaged Fugro for site surveys of the offshore area to map the sea floor and identify possible hazards at the proposed drilling locations with work to commence in August 2008.

During the Quarter, NorAsian completed an Information, Education and Communication (IEC) program involving local authorities including the Philippines Coast Guard and Department of Fisheries.

SC50 is one of three Service Contracts included in Otto's farm out program. Otto seeks to farm down its equity interest to sustain its ongoing drilling portfolio and participate in high-impact drilling opportunities.

SC51 (Otto 80%)
Service Contract 51 consists of two sub-blocks over the East Visayan Basin. It is an exciting exploration block in ~300m of water with two "ready to drill" prospects that are de-risked by DHI's (direct hydrocarbon indicators on seismic) and new 3D seismic completed by Otto in 2007.

Well design and planning for the Argao prospect is in underway as well as an onshore Geo-Microbial Survey over a few potential drilling targets. NorAsian has undertaken consultations with provincial and municipal governments and potentially affected communities regarding the forthcoming site survey scheduled to commence in August 2008.

SC51 is the second of three Service Contracts included in Otto's farm out program. Otto seeks to farm down its equity interest to sustain participation in its high-impact drilling opportunities.

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SC55 (Otto 85%)

Service Contract 55 covers an area of 9,000 sq. km. It is a deep water block with massive reef and turbidite reservoir potential with DHI's. The Marantao target has prospective resources of 3.3 tcf gas or >1 billion bbls oil with further leads to follow up.

During the Quarter the Company continued interpretation of 2D seismic data and geotechnical studies including basin modelling and volumetrics of the mapped leads. SC55 is the third Service Contract included in Otto's farm out program. Otto seeks farm-in parties for 3D seismic survey and a deepwater exploration drilling program.

SC69 'Area 8' (Otto 70%)

SC69 lies between the islands of Cebu, Bohol and Leyte and substantially covers the centre of the Visayan Basin over an area of 7,004 sq. kms. The block lies between the two sub blocks of SC51 where Otto currently has an 80% working interest. It is a new licence with potential for both oil and gas.

On 8 May 2008, Otto announced that the Department of Energy in the Philippines awarded NorAsian and co-venturer, TransAsia Oil & Energy Development Corporation, the exploration Service Contract for Area 8 (SC69) offshore Philippines for a seven year period.

SC69 contains 3,000km of 2D seismic and an active petroleum system indicated by abundant onshore oil and gas seeps on the surrounding islands. There are already over 20 potential structures mapped with a likelihood of additional targets yet to be identified. Given the block's location, this area offers significant follow up potential adjacent to Otto's SC51 with the exciting Argao prospect, which is ready for drilling in 2009.

NON OPERATED ASSETS (Turkey, Argentina, Italy)

TURKEY – Onshore Thrace Basin
Edirne Licence (Otto 35%)

The 2008 drilling campaign which commenced in March 2008, was completed during the Quarter with 100% success rate of 4 gas discoveries made from 4 exploration wells drilled. Three of the 4 discoveries were successfully tested as commercial gas discoveries: Ikihoyuk-1, Kuzey-Arpaci-1 and Arpaci-2A. Ortakci-1 will be tested when required for production.

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A summary of all wells drilled and tested as part of the 2008 campaign is below:

Well	Total Depth (TD)	Drilling / Test Results
Ikihoyuk 1 Exploration Well Gas Discovery	520m	Flowed dry gas at rates up to 3.8 MMscf/d over the interval 444 m to 453 m. The logs indicate two additional pay zones, which will be tested when needed for production.
Ortakci-1 Exploration Well Gas Discovery	524m	Encountered 20 m of potential gas bearing reservoir sands with excellent properties. The sands, with an average porosity of 29%, are located between 238 m and 332 m. The well will be tested when required for production.
Kuzey Arpaci-1 Exploration Well Gas Discovery	540m	Flowed dry gas over several intervals between 404 m and 468 m at rates up to 2.8 MMscf/d. Just as in Ikihoyuk 1, there are two more potential gas pay zones, which will be perforated and produced at a later stage.
Arpaci-2	169m	Drilling encountered high pressure shallow gas, so well was plugged and abandoned for safety reasons. Rig was relocated 30 m away from the original location, still utilizing the existing well pad, in order to drill Arpaci-2A.
Arpaci-2A Exploration Well Gas Discovery	525m	Encountered three major gas bearing zones. Flowed dry gas at a rate of 2.4 MMscf /day from the interval 340-348 m through a 36/64" choke. Two additional pay zones exist at shallower levels in the well, which will be added at a later stage.
Arpaci-1 Drilled in 2006	509m	Perforated and tested over a 4m interval (236.8 to 240.9m) with ambiguous gas indications on well logs. Flow test resulted in the production of water only.

A development program is now being developed with the construction of surface facilities to be completed and first gas sales anticipated in mid 2009. Gas marketing studies are ongoing and the Operator has applied for a gas wholesale licence required to sell gas.

The partners in the Edirne Gas project are Otto Energy (35%) and Joint Operators Incremental Petroleum (55%), and Turkish partner Petraco (10%).

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Catalca and Ortakoy Licences (Otto 20% each)
There was no exploration activity on the Catalca and Ortakoy licences during the Quarter.

ARGENTINA – onshore Cuyana Basin
Santa Rosa Licence (Otto earning 32.48%)

Otto will earn an initial 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%. Otto's joint venture partner and the Operator of the block is Canadian company Oromin Explorations Limited ("Oromin").

In May 2008, Otto and Oromin were awarded the Santa Rosa Licence for a 6 year exploration period.

In July 2008, the Operator released an independent evaluation report that assesses the potential for over 100 million barrels of prospective resources for the giant Santa Rosa Dome prospect. Oromin expects to commence drilling in Q1 2009.

ITALY – onshore Po Valley Basin
Bastiglia-Cento Exploration Permits (Otto earning 50%)

Otto has an agreement to farm-in to earn 50% working interest in the Bastiglia-Cento Exploration Permits in the Po Valley, Italy, from the Operator Ascent Resources Plc.

The two adjacent Bastiglia - Cento Exploration Permits are considered highly prospective and have multiple hydrocarbon prospects and leads already identified from previous seismic data.

The first well, Gazzata-1, is scheduled to be drilled in November 2008 and will target prospective gas resources of over 100bscf.

Deltana Energy Limited had an option to earn a 15% working interest that could be exercised up to March 2008. They did not exercise their option and Otto will earn the full 50% by the funding of the Gazzata-1 well.

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CORPORATE

During the Quarter, Otto relocated its main office in Australia to *32 Delhi Street, West Perth WA 6005 Australia* and a number of senior staff appointments were made:

- Richard King – Commercial Manager
- Stefan Kleffmann – Geoscience Manager
- Jill Thomas - Corporate and Investor Relations Manager
- Jane Secker - Calauit Development Project Manager
- John Sheppard - Non Operated Assets Manager
- Jamie Parry – Operations Manager (Manila)

MPSS

Otto's subsidiary, NorAsian and Baratpur Limited mutually agreed during the Quarter to cancel their contract under which Baratpur Limited was to provide a Multi-Purpose Semi Submersible (MPSS) drilling rig on a bare boat charter (BBC). The MPSS was to be a new rig constructed at the Yantai-Raffles shipyard in China. The original contract was signed in September 2006, however due to the radical shift in market conditions for rig rates, personnel and drilling equipment availability, the contract terms were deemed untenable for both parties and it was agreed to terminate the current contract and start afresh. Baratpur has refunded the initial deposit with interest. The relationship between Yantai and Otto remains strong and both intend to work towards construction of an MPSS type unit for Otto's future Philippines requirements.

Capital Structure

During the Quarter, Otto raised about $15.0 million through a placement of 38.46 million shares issued at price of $0.39 per share conducted by corporate broker, Euroz Securities.

The Company issued 14.7 million shares immediately under its 15% capacity limit with 22.95 million shares subscribed for by two existing international investors; and 0.77 million shares were issued to Otto's recently appointed Director, Mr John Jetter. The issue of shares to Mr Jetter, which were paid for in full, was approved by shareholders at a general meeting of the Company held on 1 July 2008.

Funds raised will go towards drilling preparations in the recently awarded Argentinean permit, costs associated with the Company's 50% farm-in to two permits in Po Valley, Italy, costs for site surveys in the Philippines in preparation for drilling, and for working capital in the period up to first cash flow from the Galoc Oil Field.

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During and since the end of the Quarter the Company has issued 400,000 shares pursuant to the exercise of Employee Plan Options for a cash consideration of $80,000. A further 300,000 Employee Plan options have been cancelled.

At the date of this report, the current capital structure is:

	Number
Listed securities:	
Ordinary fully paid shares	477,673,863
Unlisted securities:	
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: 25 January 2011)	11,000,000
Employee Plan options (20, 30 & 40 cents: 29 May 2011)	10,750,000
Employee Plan options (30 cents: 17 December 2010)	8,000,000
Employee Plan options (35 cents: 10 April 2012)	2,000,000
Consultant options (20,30 & 40 cents: 29 May 2011)	1,000,000
Consultant options (30 cents: 17 December 2010)	250,000
	43,500,000

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.*

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Rule 5.3

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	Quarter ended ("current quarter")
56 107 555 046	30 June 2008

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date $A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for		
	(a) exploration and evaluation	(2,725)	(17,479)
	(b) development	-	-
	(c) production – Bareboat Charter Payment	-	-
	(d) administration	(1,367)	(4,588)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	31	289
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		
	Net Operating Cash Flows	(4,061)	(16,842)
	Cash flows related to investing activities		
1.8	Payment for purchases of:		
	(a)prospects	-	-
	(b)equity investments	(2,633)	(63,654)
	(c) other fixed assets	(252)	(363)
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	-	-
	Net investing cash flows	(2,885)	(64,017)
1.13	Total operating and investing cash flows (carried forward)	(6,946)	(80,859)

1.13	Total operating and investing cash flows (brought forward)	(6,946)	(80,859)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	5,778	84,848
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	34	34
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Costs associated with issue of shares	(401)	(3,737)
	Net financing cash flows	5,411	81,145
	Net increase (decrease) in cash held	(1,535)	286
1.20	Cash at beginning of quarter/year to date	6,732	5,191
1.21	Exchange rate adjustments to item 1.20	(164)	(444)
1.22	**Cash at end of quarter (#)**	5,033	5,033
	(#) Subsequent to the end of the Quarter the Company has received approx. $9.252 million from share placements arranged prior to the end of the Quarter.		

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	216
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	14
Payments of Directors Fees	48
Payments to Director Related Companies	154

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 $A'000	Amount used $A'000
3.1	Loan facilities	34	34
3.2	Credit standby arrangements	Nil	-

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	4,500
4.2	Development	4,200
	Total	8,700

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	3,348	4,139
5.2	Deposits at call	1,571	2,593
5.3	Bank overdraft	-	-
5.4	Other – Term Deposit	114	-
	Total: cash at end of quarter (item 1.22)	5,033	6,732

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	SC69-Philippines	Working/beneficial interest	-	70%

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	**Preference +securities** *(description)*	Nil	Nil		
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	Nil	Nil		
7.3	**+Ordinary securities**	476,654,632	476,654,632		
7.4	Changes during quarter (a) - Increases through issues	37,842,307	37,842,307		
	(b) Decreases through returns of capital, buy-backs	Nil	Nil		
7.5	**+Convertible debt securities** *(description)*	Nil	Nil		
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	Nil	Nil		

7.7	**Options** *(description and conversion factor)*	41,250,000 Unlisted	Nil	4,333,400 Exercise Price 20 cents 4,333,300 Exercise Price 30 cents 3,333,300 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 2,000,000 Exercise Price 35 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 On or before 10 Apr 2012
7.8	Issued during quarter	2,000,000	Nil	2,000,000 Exercise Price 30 cents	On or before 25 Jan 2011
7.9	Exercised during quarter	150,000	Nil	150 ,000 Exercise Price 20 cents	On or before 29 May 2011
7.10	Expired during quarter	300,000	Nil	150 ,000 Exercise Price 30 cents 150 ,000 Exercise Price 45 cents	On or before 29 May 2011 On or before 29 May 2011
7.11	**Debentures** *(totals only)*	Nil	Nil		
7.12	**Unsecured notes** *(totals only)*	Nil	Nil		
	Performance Based Shares	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 July 2008

+ 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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