

19 April 2010  
Manager of Company Announcements  
ASX Limited  
Level 6, 20 Bridge Street  
SYDNEY NSW 2000

By E-Lodgement

### **QUARTERLY REPORT FOR THE PERIOD ENDED 31 MARCH 2010**

The quarter ended 31 March 2010 has seen Otto Energy Ltd ("Otto") deliver one of the busiest operational periods in the company's short history.

- First sales gas achieved from Edirne Gas Facility on 8 April 2010
- Galoc production of 767,315 bbl of crude oil with 83% uptime
- 4 exploration wells drilled in the Edirne license
- 3 seismic campaigns successfully completed in the Philippines.

First sales gas from the Edirne licence in Turkey was delivered on 8 April 2010 under the previously announced gas sales agreement. Phase 2 exploration and appraisal drilling has commenced with the first three wells encountering gas. A fourth well is currently being drilled.

The Galoc oil field has now produced a total of 4.3 mmbbls of crude oil and delivered 12 offtakes to customers. The field continues to produce in line with expectations and Otto is working with the Operator to continue to improve facility performance and plan for the appraisal and development of the remainder of the field.

Otto has completed its 600 km<sup>2</sup> and 1,800 km<sup>2</sup> 3D seismic surveys in Service Contract 55 offshore Palawan and its 900 km 2D seismic survey in Service Contract 69 in the Visayan Basin in the Philippines. All recent seismic campaigns undertaken by Otto have been completed without a safety incident continuing our impeccable safety record.

The farm-out market for the Company's remaining Philippines permits continues to strengthen and Otto has received numerous expressions of interest in this acreage. Otto continues to work towards securing further farm-outs of our acreage in 2010.

Geographic focusing has seen Otto exit the investment of the Cento and Bastiglia blocks in Italy in April 2010.

Otto is debt free, has equity in two producing areas, one offshore oil and the other onshore gas, and a significant interest in high potential Philippine exploration acreage that is attracting attention from the farm-out market. 2010 continues to hold significant promise for our shareholders.

Attached is Otto's Quarterly Report for the period ended 31 March 2010.

All enquiries are to be addressed to Matthew Allen, Chief Financial Officer on +61 8 6467 8800 or e-mail [info@ottoenergy.com](mailto:info@ottoenergy.com).

#### OTTO AT A GLANCE

- ASX-listed oil and gas company with significant growth potential.
- Production from Galoc Oil Field provides cash flow.
- Edirne gas field in Turkey becomes second revenue-generating asset.
- Opportunity rich with substantial exploration prospects and leads in portfolio.

#### 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

Matthew Allen  
CFO

Emma McCormack  
Company Secretary

## QUARTERLY ACTIVITIES REPORT FOR THE QUARTER ENDED 31 MARCH 2010

### OPERATIONAL HIGHLIGHTS

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#### Galoc Production

- Production for the quarter of 767,315 bbls of crude oil gross (December quarter 747,767 bbls) achieved by the Galoc Oil Field. Two offtakes delivered to customers. Payments of US\$10.512 million received by Otto from Galoc Production Company (GPC) after deduction of operating/lifting costs
- Development planning for potential facilities upgrade options and Phase 2 drilling being undertaken by the Operator

#### Turkey Development

- First sales gas delivered into the BOTAS national gas grid from the Edirne Gas Plant on 8 April 2010
- Gas gathering and tolling agreements executed with joint operators
- Phase 2 exploration and appraisal drilling commenced with the first three wells encountering gas

#### Exploration and Development

- 1,800 km<sup>2</sup> 3D seismic acquisition completed in Service Contract (SC) 55 in the Palawan Basin of the Philippines and the service contract area has been extended by an additional 880 km<sup>2</sup> of previously unlicensed acreage partially covered by the new 3D seismic
- 900 km of 2D seismic has successfully been acquired in Service Contract (SC) 69 in the Visayan Basin of the Philippines
- Otto withdrew from the Cento and Bastiglia blocks in Italy as part of the narrowing of Otto's geographic focus

### FINANCIAL HIGHLIGHTS

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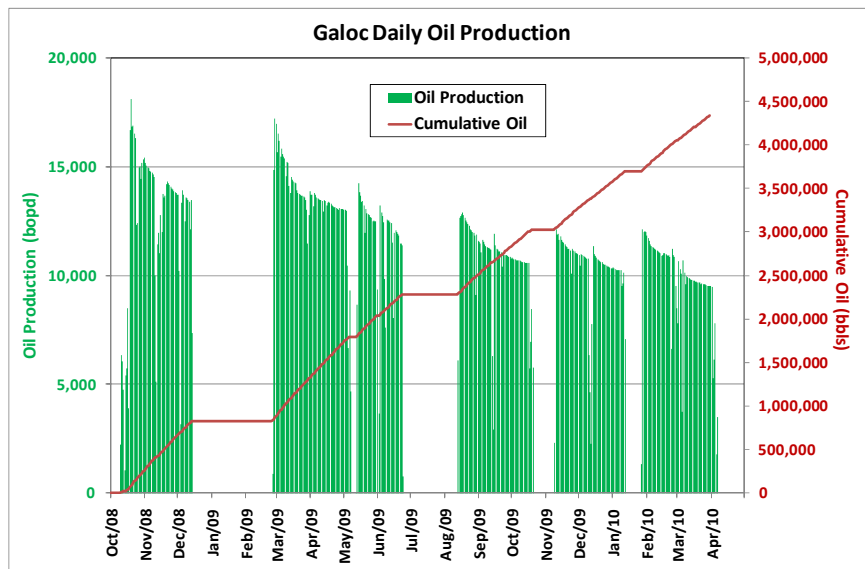
		March 2010 Quarter	December 2009 Quarter	Movement	Change %
Production (net to Otto)	bbl	144,102	140,431	3,671	2.6%
Lifting's (net to Otto) <sup>(1)</sup>	bbl	121,646	129,327	(7,681)	(5.9%)
Receipts from GPC	US\$m	10.512	10.355	0.157	1.5%
Outstanding GPC Receivable	US\$m	8.933	19.311	(10.378)	(53.7%)
Closing Cash Position <sup>(2)</sup>	A\$m	23.011	18.763	4.248	22.6%
Expenditure (excl GPC costs) <sup>(3)</sup>	A\$m	6.334	2.308	4.026	174.4%

- (1) Receipts from GPC are subject to timing and payment conditions on oil deliveries and may therefore not correspond to lifting's sold in the quarter
- (2) Closing cash position does not include unspent monies of A\$16.582 million held in escrow to fund the acquisition and processing of the 1,800 km<sup>2</sup> 3D seismic in SC 55.
- (3) Expenditure does not include GPC operating costs – these are deducted prior to remitting funds to Otto

## PRODUCTION AND DEVELOPMENT ASSETS

### GALOC OIL FIELD

- Service Contract 14C, Palawan Basin, Philippines
- OEL 18.78% Indirect Interest (Held via 31.38% interest in GPC which has a 59.84% interest in the Galoc Block SC14C)
- Operator: Galoc Production Company WLL (GPC)



#### Production:

- Continued high facility uptime of 83% was experienced in the March quarter (December quarter 78%). The Rubicon Intrepid FPSO (Floating Production Storage and Offtake) vessel was required to disconnect from the mooring and riser system on 12<sup>th</sup> January due to poor weather. The FPSO was successfully reconnected without incident on the 27<sup>th</sup> of January and continued producing throughout the quarter.
- Production to date from the Galoc field is 4.3 mmbbl gross (0.81 mmbbl to Otto)

#### Offtakes:

- Two offtakes of Galoc crude oil were completed in the quarter with approximately 647,746 barrels gross (December quarter 688,000 bbls) being delivered to customers. The difference between offtake and production volumes represent movements in crude oil inventories on the Rubicon Intrepid FPSO vessel at the end of the quarter
- The next lifting was successfully completed in the first week of April 2010 for a total of 352,000 barrels

#### Phase 1 Facilities Upgrade Options:

- Otto continues to work with the Operator GPC to determine the most economically effective options to increase facility reliability and uptime. Improvements in operating procedures have seen significant improvement in facility uptime in the last two quarters. A facility upgrade will only be undertaken if it is supported by an economic outcome.

#### Phase 2 Potential Development:

- Interpretation and mapping of the recently reprocessed seismic data commenced in the quarter. Planning has commenced for potential Phase 2 drilling

## PRODUCTION AND DEVELOPMENT ASSETS (CONTINUED)

### TURKEY

- *Edirne Licence, Thrace Basin*
- *OEL 35% Interest*
- *Joint Operators: TransAtlantic Mediterranean Int. Pty Ltd (55%) and Petraco (10%)*

#### First Gas announced

- First sales gas was delivered into the BOTAS national gas grid on 8<sup>th</sup> April 2010
- Commissioning and optimisation of the Edirne Gas Plant will be ongoing over the coming weeks with expected production post commissioning to be in the range of 10 – 14 mmscf per day.

#### Gas Gathering (Tolling) Agreement

- Gas gathering and tolling arrangements have been executed with the joint operators of the Edirne Gas Plant to process the gas produced from the Edirne gas fields

#### Exploration

- Phase 2 exploration and appraisal drilling commenced in 2010 with seven committed wells to be drilled. The first three wells have intersected gas shows with evaluation ongoing
- Due to poor weather, a number of wells have been substituted based on ability to access drilling sites. The revised drilling sequence for Phase 2 and results to date are summarised below.

Well	Target	Working Interest (%)	Remarks	Spud Date	Outcomes
Kumluk-1	Gas	35.00	Exploration	15 Jan 2010	Gas discovery
Kartal-1	Gas	35.00	Exploration	31 Jan 2010	Gas discovery
Yolboyu-1	Gas	35.00	Exploration	12 Feb 2010	Gas potential, evaluation ongoing
Somurcali-1	Gas	35.00	Exploration	27 Mar 2010	Currently drilling
Camurbaba-1	Gas	35.00	Exploration		
Buyukhoyuk-1	Gas	35.00	Exploration		

## EXPLORATION ASSETS

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### PHILIPPINES

#### Service Contract 55

- OEL (through its wholly-owned subsidiary NorAsian Energy Ltd) 85% Interest and Operator
- Area 9,880 km<sup>2</sup>
- Work commitments in current sub-phase completed. Next sub-phase commences August 2010 and includes drilling of one deepwater exploration well by August 2011

Upon successful completion of the 600km<sup>2</sup> 3D seismic program covering the Hawkeye prospect processing of the data is underway. Final products will become available in the second quarter for subsurface interpretation.

Otto has also completed the acquisition of a further 1,800 km<sup>2</sup> of 3D seismic covering SC55 in March 2010. This seismic data will be processed over the coming months and initial results from this seismic data are expected to be available late in 2010.

The service contract area has been extended by the Philippine Department of Energy by an additional 880km<sup>2</sup> of previously unlicensed acreage partially covered by the new 3D seismic.

#### Service Contract 50

- OEL (through its wholly-owned subsidiary NorAsian Energy Ltd) 85% Interest and Operator
- Area 1,280 km<sup>2</sup>
- Work commitment in the current sub-phase requires two wells in the Calait field by March 2011

Several development concepts are being evaluated by Otto to develop the 1.50 mmbbl (1C Contingent Resource) to 15.00 mmbbl (3C Contingent Resource) Calait field. Ongoing activities include monitoring rig market and actively seeking partners to participate in this development.

#### Service Contract 51

- OEL (through its wholly-owned subsidiary NorAsian Energy Ltd) 80% Interest and Operator
- Area 3,320 km<sup>2</sup>
- Work commitment in the current sub-phase requires drilling of 1 Exploration well by December 2010

SC51 contains the Argao prospect which is a drill-ready prospect. Otto is actively seeking partners to participate in drilling this prospect.

#### Service Contract 69

- OEL (through its wholly-owned subsidiary NorAsian Energy Phils Inc) 70% Interest and Operator
- Area 7,040 km<sup>2</sup>
- Work commitment in the current sub-phase requires undertaking a 2D Seismic programme by November 2010

Following a comprehensive Information and Education Campaign in the Visayan region, Otto successfully completed the acquisition of 900 km of 2D seismic in the block.

## EXPLORATION ASSETS (CONTINUED)

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### ITALY

- *Centro Bastiglia Permits, Po Valley*
- *OEL Earning 50% Interest*
- *Operator Ascent Resources Plc (50%)*

Otto withdrew from the Cento and Bastiglia blocks in Italy.

**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.**

## CORPORATE

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### SHAREHOLDERS

Otto's issued capital as at 31 March 2010

Class	Number
Fully paid ordinary shares	1,070,184,721
Unlisted Options <sup>1</sup>	116,605,350
Performance Shares <sup>2</sup>	2,500,000

*1 Exercisable between 5 and 60 cents per share*

*2 Convert to 2.5m shares if Edirne gas sales occur in commercial quantities prior to 30 June 2010*

#### TOP 20 SHAREHOLDERS AS AT 31 MARCH 2010

Rank	Name	Units	% of Units
1	MOLTON HOLDINGS LTD	210,983,082	19.7%
2	SANTO HOLDING AG	210,983,082	19.7%
3	ANZ NOMINEES LIMITED <CASH INCOME A/C>	39,137,396	3.7%
4	CITICORP NOMINEES PTY LIMITED	27,130,268	2.5%
5	NATIONAL NOMINEES LIMITED	20,979,975	2.0%
6	CABLE NOMINEES PTY LTD	19,666,934	1.8%
7	JOHN JETTER (CONSOLIDATED RELEVANT INTEREST)	19,089,175	1.8%
8	RICK CRABB (CONSOLIDATED RELEVANT INTEREST)	16,370,052	1.5%
9	ESCOR INVESTMENTS PTY LTD	15,000,000	1.4%
10	JAAP POLL (CONSOLIDATED RELEVANT INTEREST)	13,544,206	1.3%
11	YRS INVESTMENTS LIMITED	13,520,833	1.3%
12	J P MORGAN NOMINEES AUSTRALIA LIMITED	8,802,586	0.8%
13	DALY FINANCE CORP	8,150,000	0.8%
14	ESCOT FINANCE LTD	8,150,000	0.8%
15	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	7,913,890	0.7%
16	IAN MACLIVER (CONSOLIDATED RELEVANT INTEREST)	6,306,942	0.6%
17	JOHN ZADNIK (CONSOLIDATED RELEVANT INTEREST)	6,132,747	0.6%
18	FORBAR CUSTODIANS LIMITED <FORSYTH BARR LTD-NOMINEE A/C>	5,482,386	0.5%
19	WILLIAM TAYLOR NOMINEES PTY LTD	5,400,000	0.5%
20	ZERO NOMINEES PTY LTD	5,299,307	0.5%
<b>TOTAL TOP 20 SHAREHOLDERS</b>		<b>668,042,861</b>	<b>62.4%</b>
TOTAL REMAINING SHAREHOLDERS		402,141,860	37.6%
<b>TOTAL SHARES ON ISSUE</b>		<b>1,070,184,721</b>	<b>100.0%</b>

## ESTIMATED CASH OUTFLOWS

Otto's free cash reserves at the end of the quarter were \$23.011 million (31 December: \$18.763 million). This excludes \$16.582m (US\$15.172m) remaining in escrow to fund the SC 55 seismic acquisition and processing.

Expected cash outflows in the coming quarter are as follows:

	June 2010 Quarter A\$m Forecast	March 2010 Quarter A\$m Actual	December 2009 Quarter A\$m Actual
Philippines			
• SC 14C	0.2	-	-
• SC 50	-	-	-
• SC 51	0.2	-	-
• SC 55 <sup>(1)</sup>	0.4	3.2	0.1
• SC 69	3.2	0.5	-
Turkey	3.3	0.8	0.5
Italy	0.2	-	0.0
Argentina	-	-	0.1
Administration	1.1	1.8	1.5
Total	8.6	6.3	2.3

<sup>(1)</sup> Excludes \$5.4 million (US\$4.8 million) spent on acquisition of the 1,800 km<sup>2</sup> 3D seismic in SC 55 in the quarter.

## CORPORATE APPOINTMENTS

Exploration Manager – Mr Paul Senycia MAppSc (Geophysics), BSc Hons

Otto is pleased to announce the appointment of Mr Paul Senycia to the role of Exploration Manager. Mr Senycia has more than 25 years of experience in Australasia, North & West Africa, North America and Europe. Mr Senycia also has significant experience in all facets of the upstream oil and gas exploration business including executing seismic and drilling programs, capturing new venture opportunities, joint venture relationship and farm-in/out management. Mr Senycia has recently held positions of Exploration Manager with Oilex Ltd and Head of Evaluation with Woodside Energy Ltd.



# 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 2010

### 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		
Excluding 1,800mk <sup>2</sup> SC55 seismic	(4,691)	(9,951)
1,800km <sup>2</sup> SC55 seismic	(5,364)	(5,364)
(b) development	-	-
(c) production	-	-
(d) administration	(1,643)	(5,372)
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)
1.6 Tax expenses	-	-
1.7 Other – Recharge income	40	369
Other – Seismic Acquisition Contribution	21,858	21,858
<b>Net Operating Cash Flows</b>	<b>10,200</b>	<b>1,536</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospectus	-	-
(b) equity investments	-	-
(c) other fixed assets	(22)	(101)
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	11,529	26,294
1.12 Other – Loans to associated entities	-	-
<b>Net investing cash flows</b>	<b>11,507</b>	<b>26,193</b>
1.13 Total operating and investing cash flows (carried forward)	<b>21,707</b>	<b>27,729</b>

+ See chapter 19 for defined terms.

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

1.13	Total operating and investing cash flows (brought forward)	21,707	27,729
	<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	(3)	(11)
1.18	Loan to Employee	-	-
1.19	Costs associated with issue of shares	-	(29)
	<b>Net financing cash flows</b>	(3)	(40)
	<b>Net increase (decrease) in cash held</b>	21,704	27,689
1.20	Cash at beginning of quarter/year to date	18,225	13,062
1.21	Exchange rate adjustments to item 1.20	(336)	(1,158)
1.22	<b>Cash at end of quarter</b> <sup>(1)</sup>	39,593	39,593

<sup>(1)</sup> Includes \$16.582 million held in escrow.

**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	193
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	101
	Payments to Director Related Companies	92

**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
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- 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
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+ 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	8,400
4.2	Development	200
<b>Total</b>		<b>8,600</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	39,407	17,781
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other – Term Deposit	186	444
<b>Total: cash at end of quarter</b> (item 1.22)		<b>39,593</b>	<b>18,225</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>	110,105,350 Unlisted	Nil	4,000,067 Exercise Price \$0.20  3,999,967 Exercise Price \$0.30  1,999,966 Exercise Price \$0.40  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 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	6,500,000 Unlisted	Nil	1,000,000 Exercise Price \$0.12  5,500,000 Exercise Price \$0.12	On or before 19 January 2013  On or before 16 February 2013
7.9	Exercised during quarter	Nil	Nil	Nil	Nil
7.10	Expired during quarter	Nil	Nil	Nil	Nil
7.11	<b>Debentures</b> <i>(totals only)</i>	Nil	Nil	Nil	Nil
7.12	<b>Unsecured notes</b> <i>(totals only)</i>	Nil	Nil	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
	Changes during quarter (a) Expired	Nil	Nil	4,000 Converting Performance Shares	4,000 Converting Performance Shares

+ See chapter 19 for defined terms.

## **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  
19 April 2010

## 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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