



26 October 2011

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

By E-Lodgement

QUARTERLY REPORT FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2011

Highlights:

- Completed acquisition of remaining shareholding in Galoc Production Company WLL (GPC) from Vitol group.
- Galoc joint venture approved:
 - Installation of an improved mooring and riser system for the FPSO Rubicon Intrepid
 - Acquisition of new 3D seismic over the Galoc oil field and adjacent Galoc North exploration prospect as part of the Phase II development
 - Commencement of Front End Engineering and Design (FEED) for the Phase II development
- Work continues at SC55 with farm-in partner BHP Billiton, with a commitment well to be drilled prior to August 2012.

Corporate

Otto completed the acquisition of the remaining shareholding in GPC and increased its equity in the Galoc oil field to a 33% direct working interest. Effective 30 September 2011, Otto has assumed control of the operating company and immediately commenced activities to progress a proposed Phase II development at the Galoc oil field.

The Board is currently finalising arrangements for the commencement of a new CEO and will advise the market accordingly once completed.

Production

Since the start-up of production in October 2008, the Galoc oil field has produced a total of 8.14 million barrels of crude oil as of 30th September 2011, and delivered 24 offtakes to refinery customers. As at the end of the September 2011 quarter, the field was producing around 6,500 barrels of oil a day.

Otto, through its shareholding in the field operator GPC, has commenced pre-planning activities for the further development of the Galoc oil field with a decision on Phase II due to be made by mid-2012.

OTTO AT A GLANCE

- ASX-listed oil and gas company with significant growth potential.
- Production from Galoc Oil Field provides cash flow.
- High impact offshore deepwater exploration well in Philippines in Q2 2012
- Opportunity rich with substantial exploration prospects and leads in portfolio.

COMPANY OFFICERS

Rick Crabb	Chairman
Ian Macliver	Director
Rufino Bomasang	Director
John Jetter	Director
Ian Boserio	Director
Matthew Allen	Acting CEO
	CFO/Coy Secretary



Exploration and Development

In Service Contract 55, the joint venture has elected to enter the fourth sub-phase which requires a commitment well to be drilled prior to August 2012. Planning has commenced for the drilling of an offshore deepwater well at the Cinco prospect in Q2 2012. Otto is working with farm-in partner BHP Billiton who is carrying Otto's share of expenditure on the drilling of Cinco well, to determine the 2012 work program. BHP Billiton have the Transocean *Deepwater Expedition*, a 5th generation rig, under contract which will be utilised for the drilling of this well.

<p>Contact: Matthew Allen Acting CEO and Chief Financial Officer +61 8 6467 8800 info@ottoenergy.com</p>	<p>Media: Dudley White / Victoria Hunt MAGNUS Investor Relations + Corporate Communication +61 2 8999 1010 dwhite@magnus.net.au / vhunt@magnus.net.au</p>
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**QUARTERLY ACTIVITIES REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2011**

FINANCIAL HIGHLIGHTS

		2011 YTD	September 2011 Quarter	June 2011 Quarter	Movement	Change %
Production (net to Otto) - Galoc	bbl	196,490	196,490	204,021	(7,531)	(3.69%)
Liftings (net to Otto) - Galoc	bbl	116,596	116,596	226,059	(109,463)	(48.42%)
Receipts from GPC	US\$m	6.872	6.872	7.657	(0.785)	(10.25%)
Closing Cash Position	US\$m	28.316	28.316	35.625	(7.309)	(20.52%)
Expenditure	US\$m	5.16	5.16	5.58	(0.420)	(7.53%)

⁽¹⁾ "\$m" means millions of dollars

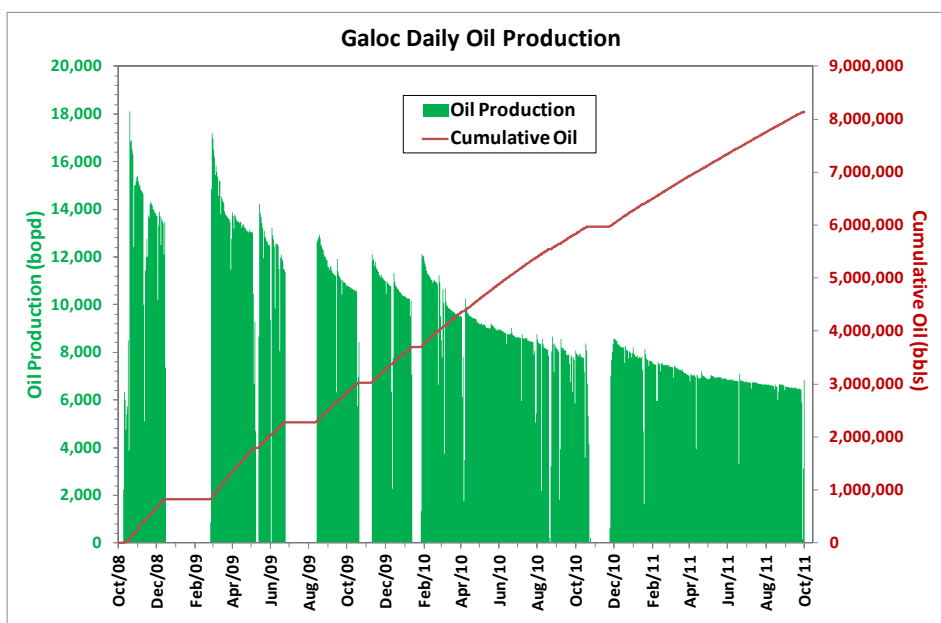
⁽²⁾ "bbl" means barrels per day

The Reserve and Contingent Resource estimates outlined in this announcement have been compiled by Mr Nick Pink. Mr Pink is the Senior Reservoir Engineer of Otto and a full time employee. Mr Pink has more than 13 years of relevant experience and is qualified in accordance with ASX Listing Rule 5.11. Mr Pink has consented to the form and context that this statement

PRODUCTION AND DEVELOPMENT ASSETS

GALOC OIL FIELD

- Service Contract 14C, Palawan Basin, Philippines
- Area 163 km²
- Otto (through its wholly owned subsidiary Galoc Production Company WLL) 33% Interest and Operator



Production/Financial

- Facility uptime rolling 12 month average is now 90%
- Production to date from the Galoc field is 8.14 Mbbbl gross
- Field daily production averaged ~6,472 bopd during the quarter
- Payments of US\$6.87 million received by Otto from Galoc Production Company (GPC) after deduction of operating/lifting costs

	Production bbls		Liftings bbls		Uptime %	Rolling 12 Month Average
	Gross	Net*	Gross	Net*		
4th Qtr 2010	442,819	83,161	239,964	45,065	61	84
1 st Qtr 2011	651,551	122,361	706,038	132,594	98	87
2 nd Qtr 2011	618,244	204,021	685,028	226,059	100	88
3 rd Qtr 2011	595,423	196,490	353,322	116,596	98	90

*Net share of production and lifting's have been revised to new working interest, 33%, from 1 April 2011. Prior to 1 April 2011 Otto held an indirect 18.78% interest in the Galoc oil field.

Offtakes

Offtake number 23 of Galoc crude oil was completed in the quarter. Offtake number 24 was completed on 1 October 2011 for a total of 341,073 bbls. The difference between liftings (offtake) and production volumes represents movements in crude oil inventories on the Rubicon Intrepid FPSO vessel at the end of the quarter.

EXPLORATION ASSETS

Service Contract 55, Offshore Palawan, Philippines

- *Otto (through its wholly-owned subsidiary NorAsian Energy Ltd) 33.18% Interest and Operator*
- *Area 9,880 km²*
- *Work commitments in Sub-Phase Four requires drilling of one deepwater exploration well*

The exercise of an option to farm-in to SC55 by BHP Billiton was announced in May 2011. Otto is currently working with BHP Billiton to finalise farm-in arrangements and prepare for the drilling phase of exploration activities. Once the farm-in documents are completed, Otto and BHP Billiton will request the Department of Energy's approval prior to the assignment of a 60% interest and operatorship to BHP Billiton. Upon completion of the farm-in, including receipt of the Department of Energy's approval of assignment, Otto's working interest in SC55 will reduce to 33.18%.

Notice has been issued by the joint venture to the Department of Energy to enter into Sub-Phase Four commencing on 5 August 2011 and running until 5 August 2012. The work program commitment in this 12 month period is to drill one deepwater offshore well.

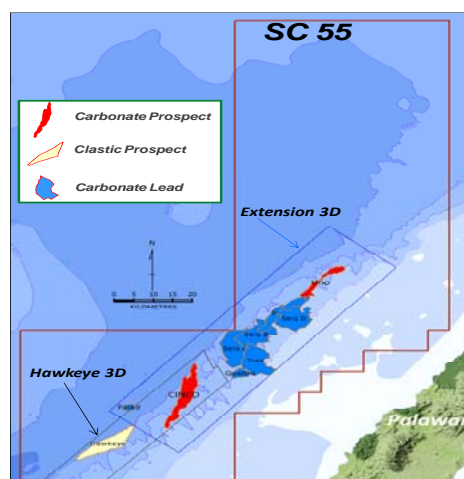
A robust, diverse and extensive portfolio of exploration prospects and leads has emerged from the recent analysis of the over 2,400 km² of 3D seismic acquired in 2010. This portfolio has significant depth and variety and will present a high impact exploration drilling program for Otto over the remaining term of the exploration licence.

The 3D seismic provides evidence of a new hydrocarbon bearing play fairway being present over much of the licence area with direct hydrocarbon indicators (DHIs) being observed in multiple locations. This area of South West Palawan has seen little historical offshore exploration drilling, and no deepwater offshore drilling has occurred to date. This is an exciting new frontier that has significant scale and potential sitting between proven oil and gas fields to both the north and south.

Significant oil prospects have been identified to date. Gas prospects and leads identified to date contain an estimated multi-Tcf unrisked mean recoverable resource with associated condensate. Importantly, the diversity in play types identified in the licence area would allow the drilling of multiple independent wells to test the prospectivity and potential of this block.

Further information on the range of resources outlined above are provided in Otto's release of 11 May 2011.

SC55 contains both carbonate and sandstone reservoir targets in a variety of settings. The Cinco and Hawkeye prospects provide an indication of this diversity of play type and represent drill mature prospects in the present portfolio.



Service Contract 51, Onshore Leyte, Philippines

- Otto (through its wholly-owned subsidiary NorAsian Energy Ltd) 40% Interest and Operator
- Area 3,320 km²
- Work commitment to commence the 2D seismic program in early 2011

The Philippines Department of Energy has approved the entry into Sub-Phase Four of the Service Contract and a variation in the committed work program as follows:

Sub-Phase Four	1 August 2011	31 July 2012	100km 2D seismic
Sub-Phase Five	31 July 2012	31 July 2013	1 well
Sub-Phase Six	31 July 2013	08 March 2014	1 well

Otto is working with its partners in SC51 to commence the 2D seismic program in early 2012. This program will follow up the results of the Duhat-1/1A well drilled earlier in 2011.

Otto has elected not to participate in the Southern block of SC 51, which includes the Argao prospect. Otto will retain a 40% working interest in the Northern block.

Service Contract 69 Offshore Visayas, Philippines

- Otto (through its wholly-owned subsidiary NorAsian Energy Phils Inc) 79% Interest and Operator
- Area 5,280 km²
- Work commitment in current sub-phase contains a minimum 3D seismic requirement of 50 km² or 1 exploration well by August 2012

Following promising interpretation of the 760 km of 2D seismic acquired over this area in 2010, Otto has completed acquisition of over 210 km² of 3D seismic over the Lampos and Lampos South prospects during June 2011.

Otto continues to process the newly acquired 3D seismic data and expects the final resulting data to be ready for interpretation shortly.

The data acquired from the successful 2D seismic campaign last year confirmed the presence of two sizeable reef structures, Lampos and Lampos South that sit immediately adjacent to the Calamangan Trough which is modelled to generate both oil and gas. Some direct hydrocarbon indicators were evident on the 2D seismic data. Current "success case" estimates of oil initially in place in the combined structures range between 22 Mbbls and 713 Mbbls with a mean unrisked in place volume of 290 Mbbls.

BUSINESS DEVELOPMENT

Otto has continued its focused program of business development targeting entry into new opportunities within South East Asia, Australasia and East Africa. This program aims to deliver high quality new exploration, development and production opportunities in which Otto has competency in securing competitive fiscal and commercial terms or can make use of its technical skills.

The first of these business development opportunities has seen Otto execute an Area of Mutual Interest Agreement (AMI) with Swala Energy Ltd. This provides Otto access to Swala personnel with significant working knowledge of the East Africa oil and gas industry and can assist with gaining entry to opportunities in the region.

Expressions of interest for permits in Kenya and Tanzania have been made, and which, if successful, will provide for ground floor entry terms to exploration opportunities on trend with recent significant discoveries. Focus is also being made on discovered resources that require further appraisal prior to development commencing.

Otto is currently reviewing the acreage release available under the Philippine Energy Contracting Round 2011 (Number 4). The Philippines Government has approved the release of 15 blocks covering more than 10 million hectares within this current contracting round.

CORPORATE

CEO UPDATE

The Otto Board are currently finalising arrangements for the commencement of a new CEO and will advise the market accordingly once discussions are completed.

As advised previously, non-executive director Ian Boserio continues to provide assistance to the management team to ensure successful business delivery in the interim. In addition, Mr Matthew Allen has been appointed as Acting CEO. Mr Allen is currently the Chief Financial Officer and Company Secretary of Otto.

ESTIMATED CASH OUTFLOWS

Otto's free cash reserve at the end of the quarter was US\$25.292 million (June: US\$32.437 million). This excludes US\$3.023 million (June: US\$3.187 million) remaining in escrow to fund the SC55 seismic acquisition and processing. In addition, there remains approximately \$2.3 million of back costs in SC55 due to be paid upon completion of farm-in arrangements.

Expected cash outflows in the coming quarter are as follows:

	Dec 2011 Quarter US\$m Forecast	Sept 2011 Quarter US\$m Actual	Jun 2011 Quarter US\$m Actual	Mar 2011 Quarter US\$m Actual
Philippines				
• SC 14C		-	-	0.01
o Production	5.15	-	-	-
o Development	1.73	-	-	-
• SC 51	0.26	0.01	2.20	1.48
• SC 55 ⁽¹⁾	0.21	0.13	0.05	0.10
• SC 69	0.17	2.41	0.23	0.01
Turkey	-	-	-	0.81
Business Development	0.92	0.35	0.46	0.47
Administration	1.03	2.26	2.68	2.33
Total	9.47	5.16	5.62	5.21

⁽¹⁾ Excludes US\$0.164 million spent on processing and interpretation of the 1,800 km² 3D seismic in SC 55 in the quarter.

SHAREHOLDERS

Otto's issued capital as at 13 October 2011:

	Number
Fully paid ordinary shares	1,138,290,071
Unlisted Options ¹	36,500,000
Performance Rights	-

¹ Exercisable between 12 and 60 cents per share.

TOP 20 SHAREHOLDERS AS AT 13 OCTOBER 2011

Rank	Name	Units	% of Units
1	MOLTON HOLDINGS LTD	241,910,757	21.25%
2	SANTO HOLDING AG	241,910,757	21.25%
3	ACORN CAPITAL LIMITED	83,889,340	7.37%
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	34,477,374	3.03%
5	NATIONAL NOMINEES LIMITED	23,417,353	2.06%
6	ESCOT INVESTMENTS PTY LTD	20,000,000	1.76%
7	J P MORGAN NOMINEES AUSTRALIA LIMITED	19,136,390	1.68%
8	JOHN JETTER (CONSOLIDATED RELEVANT INTEREST)	19,089,175	1.68%
9	RICK CRABB (CONSOLIDATED RELEVANT INTEREST)	16,995,052	1.49%
10	CITICORP NOMINEES PTY LIMITED	15,430,618	1.36%
11	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	14,462,833	1.27%
12	CITICORP NOMINEES PTY LIMITED <CWLTH BANK OFF SUPER A/C>	12,801,550	1.12%
13	NAVIGATOR AUSTRALIA LTD	10,916,695	0.96%
14	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	8,674,685	0.76%
15	ESCOT FINANCE LTD	8,150,000	0.72%
16	MIDDLE EAST PETROLEUM SERVICES LTD	7,085,355	0.62%
17	IAN MACLIVER (CONSOLIDATED RELEVANT INTEREST)	6,386,919	0.56%
18	WILLIAM TAYLOR NOMINEES PTY LTD	6,805,335	0.60%
19	DALY FINANCE CORP	5,763,250	0.51%
20	FORSYTH BARR CUSTODIANS LTD <FORSYTH BARR LTD-NOMINEE A/C>	5,621,741	0.49%
TOTAL TOP 20 SHAREHOLDERS		802,925,179	70.54%
TOTAL REMAINING SHAREHOLDERS		335,364,892	29.46%
TOTAL SHARES ON ISSUE		1,138,290,071	100.0%

Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

OTTO ENERGY LIMITED

ABN

56 107 555 046

Quarter ended ("current quarter")

30 September 2011

Consolidated statement of cash flows

Cash flows related to operating activities	Curent quarter \$US'000	Year to date (3 months) \$US'000
1.1 Receipts from product sales and related debtors	293	293
1.2 Payments for (a) exploration & evaluation		
-Excluding 1800km2 SC55seismic	(2,732)	(2,732)
-1800km2 SC55seismic	(164)	(164)
(b) development	-	-
(c) production	-	-
(d) administration	(2,265)	(2,265)
1.3 Dividends received	6,872	6,872
1.4 Interest and other items of a similar nature received	4	4
1.5 Interest and other costs of finance paid	(4)	(4)
1.6 Income taxes paid	-	-
1.7 Other (Farm In Contribution)	-	-
Net Operating Cash Flows	2,004	2,004
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	(23,329)	(23,329)
(c) other fixed assets	(92)	(92)
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 (purchase of subsidiaries net cash acquired)	14,149	14,149
Net investing cash flows	(9,272)	(9,272)
1.13 Total operating and investing cash flows (carried forward)	(7,268)	(7,268)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(7,268)	(7,268)
	Cash flows related to financing activities		
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	-	-
1.18	Dividends paid	-	-
1.19	Other (Share issue costs)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(7,268)	(7,268)
1.20	Cash at beginning of quarter/year to date	35,624	35,624
1.21	Exchange rate adjustments to item 1.20	(40)	(40)
1.22	Cash at end of quarter	28,316	28,316

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

		Curent quarter \$US'000
1.23	Aggregate amount of payments to the parties included in item 1.2	113
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 Directors Fees	113

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

Financing facilities available

Add notes as necessary for an understanding of the position.

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

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

		\$US'000
4.1	Exploration and evaluation	647
4.2	Development	1,735
4.3	Production	5,147
4.4	Administration	1,950
Total		9,479

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.

		Curent quarter \$US'000	Previous quarter \$US'000
5.1	Cash on hand and at bank	24,136	35,449
5.2	Deposits at call	3,975	
5.3	Bank overdraft		
5.4	Other (Term Deposit)	205	175
Total: cash at end of quarter (item 1.22)		28,316	35,624

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				
6.2	Interests in mining tenements acquired or increased	SC14C	Acquisition of remaining shareholding in Galoc Production Company WLL. Move to direct working interest.	18.78%	33.00%

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 <i>(description)</i>	Nil	Nil		

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	Nil	Nil		
7.3	*Ordinary securities	1,138,290,071	1,138,290,071		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	3,750,000 Nil	3,750,000 Nil	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		

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.7	Options <i>(description and conversion factor)</i>	44,000,000 Unlisted Options	Nil Nil	1,500,000 Exercise Price \$0.35 2,500,000 Exercise Price \$0.60 7,500,000 Exercise Price \$0.12 4,000,000 Exercise Price \$0.12 1,000,000 Exercise Price \$0.12 5,500,000 Exercise Price \$0.12 3,000,000 Exercise Price \$0.12 13,000,000 Exercise Price \$0.12 6,000,000 Exercise Price \$0.125	On or before 10 Apr 2012 On or before 01 Aug 2012 On or before 30 June 2014 On or before 08 September 2012 On or before 19 January 2013 On or before 16 February 2013 On or before 11 August 2013 On or before 26 November 2013 On or before 30 November 2013
7.8	Issued during quarter				
7.9	Exercised during quarter	3,750,000 Performance Rights	3,750,000 Performance Rights	3,750,000 Exercise Price \$0.00	3,750,000 Exercise Price \$0.00
7.10	Expired during quarter	6,250,000 Performance Rights		1,250,000 Performance Rights 5,000,000 Performance Rights	On or before 30 June 2011 On or before 30 June 2012
7.11	Debentures <i>(totals only)</i>	Nil	Nil	Nil	Nil
7.12	Unsecured notes <i>(totals only)</i>	Nil	Nil	Nil	Nil

+ 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 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Matthew Allen
Acting Chief Executive Officer
25 October 2011

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 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* applies to this report.
- 5 Accounting Standards ASX will accept, for example, the use of International Financial Reporting 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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