

ASX Announcement
31 July 2009

QUARTERLY REPORT FOR THE PERIOD ENDED 30 JUNE 2009

Quarter Highlights

- Galoc total gross production of 957,789 barrels;
- Approximately 1.018 million barrels delivered to market;
- Otto is now debt free;
- Company currently has A\$13 million cash in bank; and
- New gas discovery made in Turkey - total of 7 commercial gas discoveries now on licence.

OPERATIONS UPDATE

PHILIPPINES

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

Service Contract 14c - Galoc Oil Field (OEL indirect 18.77% WI)

Otto has a 31.38% shareholding in the Galoc Production Company W.L.L. ("GPC"). GPC is the Operator of the SC14c licence. A subsidiary of the Vitol Group owns the remaining 68.62%.

GPC recently announced that it had entered into an agreement to acquire an additional 1.55% working interest in SC14c. The acquisition from two of the minority interest partners increases GPC's working interest in the Galoc Field from 58.29% to 59.84%. As a result Otto's indirect interest in the Galoc Project has increased by 0.49% to 18.77% (previously 18.28%).

Cumulative oil production for the quarter was 957,789 barrels. Total production since first oil in October 2008 has now surpassed 2 million barrels.

During the quarter, the field has been producing within expected production rates of approximately 12,000 barrels of oil per day. The total volume of oil lifted in three off-takes from the FPSO during the quarter was 1,017,656 barrels (equivalent to 248,235 barrels net to Otto). This included 59,867 barrels held over from previous quarter.

OTTO AT A GLANCE

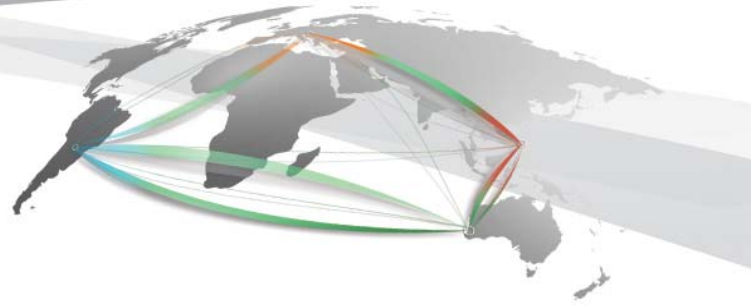
- ASX-listed oil and gas company with significant growth potential.
- Production from Galoc Oil Field provides cash flow.
- Phase I exploration drilling in Turkey completed.
- Development of gas field in Turkey to become second revenue-generating asset.
- Opportunity rich with substantial exploration prospects and leads in portfolio.
- Upcoming events including production revenues, farm-outs and exploration drilling to offer value creation for investors.

COMPANY OFFICERS

Rick Crabb	Chairman
Jaap Poll	Non exec Dir
Ian Macliver	Non exec Dir
Rufino Bomasang	Non exec Dir
John Jetter	Non exec Dir
Paul Moore	CEO
Emma McCormack	Co Sec

INVESTOR / MEDIA INQUIRIES

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There were two disruptions to production operations as a result of weather conditions during the quarter. In May, severe tropical storm Han Chom passed 300 nautical miles to the north of the Galoc field and the FPSO 'Rubicon Intrepid' was subsequently disconnected. Approximately six days later the FPSO was reconnected and production recommenced.

A second disconnection due to adverse weather conditions occurred at the end of June 2009 resulting in production shut-in. Remedial work is currently still being undertaken on the mooring and riser system. Once this has been completed, the system will be reconnected to the FPSO and function tested prior to resuming production operations.

Under the terms agreed with the Philippine Department of Energy ("DOE") for the Galoc project, on the 23 June 2009, GPC on behalf of the Galoc Joint Venture issued a formal "Declaration of Commerciality" following the completion of the extended testing period. The data obtained during the extended test phase provided sufficient confidence of the reservoir performance to justify the commencement of long term production. As a consequence of the declaration, the fiscal terms for the Galoc project have reverted to the standard terms of Service Contract 14c.

Service Contract 50 - Calait Oil Fields (OEL 99% WI)

During the quarter, Otto continued its discussions with the DOE in relation to seeking an extension on its current sub-phase commitments. In July 2009, the DOE granted approval for an extension to the current (3rd) sub-phase, allowing the Company until March 2011 to drill two wells.

Service Contract 51 (OEL 80% WI)

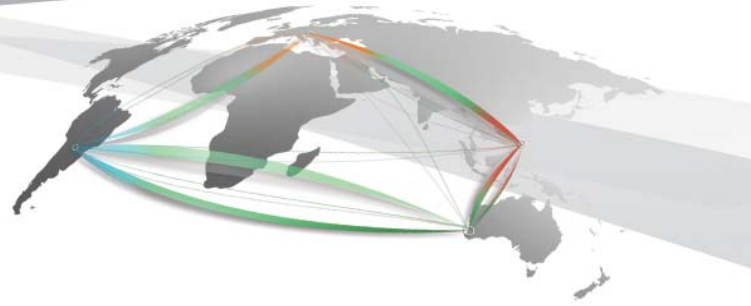
Otto continues its discussions with the DOE in relation to seeking an extension on its current sub-phase commitments.

Service Contract 55 (OEL 85% WI)

In May 2009, Otto announced that following the lapse of the Heads of Agreement with BHP Billiton Petroleum Pty Limited, discussions with respect to the farm-out of Service Contract 55 were discontinued. The Company intends to re-initiate farm-in discussions with potential partners for all its Philippines prospects when market conditions improve. The Company has been in discussions with the DOE in relation to seeking an extension on its current sub-phase commitments.

Service Contract 69 (OEL 70% WI)

Otto's Geoscience team have been interpreting existing seismic data with a view to acquiring more seismic and identifying drilling targets in the block prior to securing a strategic farm-in partner for the drilling campaign.



TURKEY (OEL 35% WI; Non-operated)

In total, seven gas discoveries have now been made on the Edirne Licence since the original drilling campaign commenced in 2005. During the quarter a further gas discovery, Kirmizihoyuk-1 was made and successfully flow tested along with two previous discoveries – which have all now been suspended for use as future producers.

The Kirmizihoyuk-1 exploration well spudded on 13 May 2009 and was drilled to a total depth of 500m. Gas was encountered over a number of zones of between 3m and 15m gross thickness at depths of 330m to 480m. Seven sets of perforations were flow tested in combination at rates of up to 3.2 MMscf/d with some water. The well was completed as a future producer.

The Ikihoyuk-2 discovery well, which was drilled earlier this year, was perforated over four separate intervals in the lower Osmancik formation between 457.5m to 481.4m. The well flowed at rates of up to 4.95 MMscf/d with a small amount of associated water production. This is a high gas rate by comparison to the other discovery wells in the licence. The well has been suspended for use as a future producer.

Testing of the Ortakci-1 discovery well (drilled in 2008) commenced on 21 June 2009. Four gas-bearing intervals with a gross combined thickness of approximately 18m were tested from 238m to 330m. A production test of all the zones produced approximately 2.5 MMscf/d with no water. The well has been completed as a future producer.

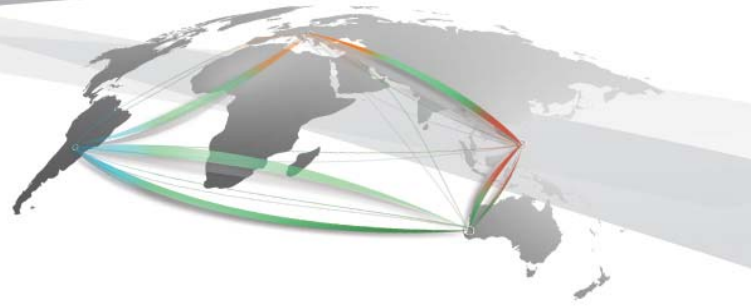
During July 2009 the final exploration well, Kuzey Ikihoyuk-1 spudded and tested. The well explored a different structure to the previous wells and tested the Sogucak, Osmancik and Lower Danismen targets. The well reached a total depth of 390 metres and six perforation intervals were tested. The well has been suspended pending further technical evaluation. This concludes the current drilling and testing program in Turkey.

ITALY (OEL 50% WI; Non-operated)

Otto is earning a 50% working interest in the Cento-Bastiglia Exploration Permits located in the Po Valley onshore Italy. Exploration drilling commenced on 19 May 2009 with the Gazzata-1 well drilled to a total depth of 2,840m. The well intersected a series of sand/shale sequences below 2,300m and wireline logs were run, but the interpretation of log data failed to indicate any commercial gas zones. The Gazzata-1 well was subsequently plugged and abandoned as a dry hole. The operator is AIM-listed Ascent Resources Plc.

ARGENTINA (OEL 32.48% WI; Non-operated)

Otto has earned 32.48% working interest by paying US\$1.4 million of exploration expenditure in the Santa Rosa Permit. During the quarter preparations were completed at the well site for the mobilization of the San Antonio P1 drilling rig. The well 'OLE.MD.SRE X-2001' spudded on 15 July 2009 (Mendoza time). On 26 July 2009, the exploration well 'OLE.MD.SRE X 2001' reached a total depth of 1,270 m in basement. An initial electric logging evaluation confirmed that the well did not encounter hydrocarbons. The results suggest that the target reservoir zones are not present at this crestal well location. The



Joint Venture will now study the well data and incorporate this in a regional data base to determine whether potential stratigraphic traps on the western flank of the Santa Rosa dome warrant further investigation. The well will be plugged and abandoned as a dry hole. The operator is TSX-listed Oromin Explorations Ltd, through the Argentina subsidiary Exploraciones Oromin S.A.

CORPORATE

Capital Raising

Otto raised approximately \$26.3 million (before issue costs) during the quarter through a two tranche capital raising comprising a share placement and pro-rata entitlement issue to shareholders.

Under the share placement the Company issued approximately 72.4 million shares at \$0.07 per share to raise approximately A\$5.1 million. The shares were issued to two of the Company's major shareholders Santo Holdings AG and Molton Holding Ltd and to Otto Directors (following shareholder approval).

The Company also undertook a 3 for 4 pro-rata entitlement issue offering existing shareholders the opportunity to subscribe for additional shares at \$0.05 per share. There was strong support from shareholders to the entitlement issue with a 76.5% take up by shareholders of their entitlements under the entitlement issue. The shortfall under the entitlement issue was also fully placed by the Company in conjunction with the underwriter to raise a total of approximately A\$21.2 million (before issue costs).

Otto's newly appointed CEO, Paul Moore, has received 7.5 million options (\$0.12, 30 June 2014) as part of his remuneration package. Paul has also subscribed for 1.25 million shares in the Company at \$0.08 per share.

As at 30 June 2009 the Company has 1,070,184,721 shares on issue and 114,855,350 unlisted options. The Company has approximately 3,921 shareholders with the Top 20 owning approximately 62%. An updated list of the top 20 shareholders can be viewed on Otto's website at www.ottoenergy.com.

Debt repayment

Shareholder and Director short term loans totalling approximately A\$11.6 million were fully repaid from funds raised through the capital raising. GPC has fully repaid the total outstanding Galoc development debt (Otto's share US\$20.4 million).

CEO Appointment

Mr Paul Moore was appointed as the Company's new Chief Executive Officer effective 1 July 2009. Paul has extensive experience in the oil and gas industry with 27 years in operating oil and gas companies, including 17 years in executive management roles. Paul has an international track record in oil/gas field developments and in new business growth.

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")

30 June 2009

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(5,924)	(15,832)
(b) development	-	-
(c) production	-	-
(d) administration	(1,550)	(6,441)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	4	277
1.5 Interest and other costs of finance paid	(648)	(652)
1.6 Tax expenses - Turkey	(2)	(9)
1.7 Other – Deposits Refunded	665	2,231
- Recharge income	384	384
Net Operating Cash Flows	(7,071)	(20,042)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospectus	-	-
(b) equity investments	-	-
(c) other fixed assets	(17)	(257)
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 – Loans to associated entities	-	(10,426)
Net investing cash flows	(17)	(10,683)
1.13 Total operating and investing cash flows (carried forward)	(7,088)	(30,725)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(7,088)	(30,725)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	26,417	40,893
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	11,587
1.17	Repayment of borrowings	(11,590)	(11,601)
1.18	Loan to Employee	(100)	(100)
1.19	Costs associated with issue of shares	(2,072)	(2,590)
	Net financing cash flows	12,655	38,189
	Net increase (decrease) in cash held	5,566	7,463
1.20	Cash at beginning of quarter/year to date	8,069	5,034
1.21	Exchange rate adjustments to item 1.20	(593)	545
1.22	Cash at end of quarter	13,042	13,042

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	488
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	91
	Payments to Director Related Companies	397

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 \$'000	Amount used \$'000
3.1	Loan facilities (Shareholder Loan)	Nil	Nil
	Loan facilities (Directors Loan)	Nil	Nil
3.2	Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	3,600
4.2	Development	100
Total		3,700

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	12,532	7,743
5.2	Deposits at call	510	326
5.3	Bank overdraft	-	-
5.4	Other – Term Deposit	-	-
Total: cash at end of quarter (item 1.22)		13,042	8,069

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	Preference securities <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	+Ordinary securities	1,070,184,721	1,070,184,721		
7.4	Changes during quarter (a) - Increases through issues 424,931,207 72,428,572 5,000,000 1,250,000 (b) Decreases through returns of capital, buy-backs	424,931,207 72,428,572 5,000,000 1,250,000 Nil	424,931,207 72,428,572 5,000,000 1,250,000 Nil	\$0.05 \$0.07 Implied price \$0.08	\$0.05 \$0.07 Implied Price \$0.08
7.5	+Convertible debt securities <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	Options <i>(description and conversion factor)</i>	114,855,350 Unlisted	Nil	4,083,400 Exercise Price 20 cents	On or before 29 May 2011
				4,333,300 Exercise Price 30 cents	On or before 29 May 2011
				3,333,300 Exercise Price 40 cents	On or before 29 May 2011
				8,000,000 Exercise Price 34 cents	On or before 30 Nov 2009
				8,250,000 Exercise Price 30 cents	On or before 17 Dec 2010
				11,000,000 Exercise Price 30 cents	On or before 25 Jan 2011
				2,000,000 Exercise Price 35 cents	On or before 10 Apr 2012
				2,500,000 Exercise Price 60 cents	On or before 01 Aug 2012
				2,000,000 Exercise Price 60 cents	On or before 15 Dec 2010
7.8	Issued during quarter	69,355,350 unlisted	Nil	61,855,350 Exercise Price \$0.05	On or before 3 July 2010
				7,500,000 Exercise Price \$0.12	On or before 30 June 2014
7.9	Exercised during quarter	Nil	Nil		
7.10	Expired during quarter	Nil	Nil		
7.11	Debentures <i>(totals only)</i>	Nil	Nil		
7.12	Unsecured notes <i>(totals only)</i>	Nil	Nil		

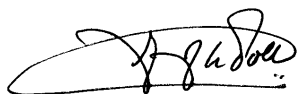
+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Performance Based Shares	2,504,000	Nil	2,500,000 Issue Price \$0.0001 cents	2,500,000 Issue Price \$0.0001 cents
			4,000 Converting Performance Shares	4,000 Converting Performance Shares
Changes during quarter (a) Increases	Nil	Nil	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.



Dr Jaap Poll
Director
31 July 2009

+ 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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