

# Quarterly REPORT



THREE MONTHS ENDED 30 JUNE 2012

## QUARTERLY HIGHLIGHTS

- Galoc oil field production recommenced on 2 April 2012, following major facility upgrade
- Galoc oil field reserves upgraded by 19.7% at the Proved (1P) level
- Galoc oil field exceeded uptime expectations and delivered Cargo 26 offtake of 325,546 bbls in May 2012
- SC51 onshore 2D seismic acquisition commenced over the Duhat prospect
- SC55 Sub-Phase 4 12-month extension approved by the Philippines Department of Energy
- Tanzania legacy magnetic and gravity data reprocessed for planning 2012 airborne survey



## PRODUCTION & FINANCIAL SUMMARY

		June 2012 Quarter	March 2012 Quarter	Change %
Production (net to Otto)	bbl	176,354	-	100.00%
Liftings (net to Otto)	bbl	107,430	-	100.00%
Revenue	US\$m	10.939	-	100.00%
Closing Cash Position	US\$m	28.320	29.525	(4.08%)
Expenditure	US\$m	10.53	10.53	0.00%

## SIX MONTH OUTLOOK

- Galoc Phase II Final Investment Decision – two well development planned for 2013
- Maturing Galoc North exploration program – maturing potential exploration well in 2013 program
- Preparation for drilling the Duhat-2 well, onshore Leyte in 2013
- Working with SC55 Operator, BHP Billiton to deliver the Cinco-1 well, offshore Palawan
- Completing technical evaluation of new 3D covered prospects in SC69, offshore Visayas
- Commenced airborne magnetic and gravity surveys in Tanzania in July 2012
- Awards due from new Philippines licensing round – Otto has bid on two permit areas

## PRODUCTION AND DEVELOPMENT ASSETS

### SERVICE CONTRACT 14C – GALOC OIL FIELD

**Location:** Palawan Basin, Philippines  
**Area:** 163 km<sup>2</sup>  
**Otto's Interest:** 33% - Operator Otto Energy Group

#### Production Recommended

The Galoc oil field, offshore Palawan in the Philippines, recommenced production on 2 April 2012 following a planned shutdown for major upgrade of the Floating Production Storage and Offloading vessel (FPSO).

During the shutdown, the FPSO Rubicon Intrepid underwent planned re-certification, maintenance, inspection and turret installation work. The most significant work scope was the installation of a bow mounted, non-disconnectable turret mooring system to replace the previous disconnectable system.

The upgraded FPSO has increased reliability and uptime during the June quarter. Uptime is more than 95% and has performed safely and reliably during all weather events in the quarter. Production averaged 5,872 bbls per day during the quarter. End 2Q, the field was producing 6,100 bbls per day following optimisation of field production settings and produced the nine millionth barrel of crude oil.

Cargo 26 offtake was delivered on 31 May 2012 with 325,546 bbls sold into a South Korean refinery with pricing at US\$113 per bbl. Cargo 27, due for offtake in early August 2012 has been sold and is also expected to be delivered into South Korea.



FPSO Rubicon Intrepid in production, June 2012

#### Galoc Phase II

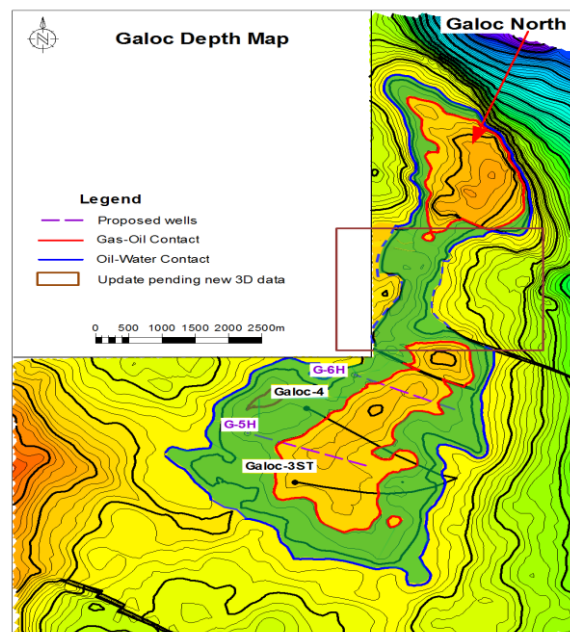
The Galoc joint venture commenced the engineering design work for Phase II in late 2011, which remains on schedule for the Final Investment Decision ("FID") in 3Q 2012.

The scope of FEED work, to be undertaken prior to FID, includes detailed subsurface modelling of the reservoir, drilling and completion design, subsea engineering and tie-back design for new wells as well as joint venture project financing.

In addition to engineering and design works, acquisition of 184 km<sup>2</sup> of new 3D seismic data was completed in late 2011, covering the Galoc field and adjacent Galoc North exploration prospect.

The new 3D seismic data will support the placement of Phase II wells in the reservoir and de-risk the project prior to the FID. In addition, it will also allow full evaluation of the Galoc North exploration prospect, which may realise further development opportunities for the Galoc field.

The Galoc joint venture has pre-invested in the required infrastructure, including wellheads, flowlines and umbilical lines to ensure drilling can occur in 2013.



Galoc field map, showing planned development wells Galoc-5 and Galoc-6

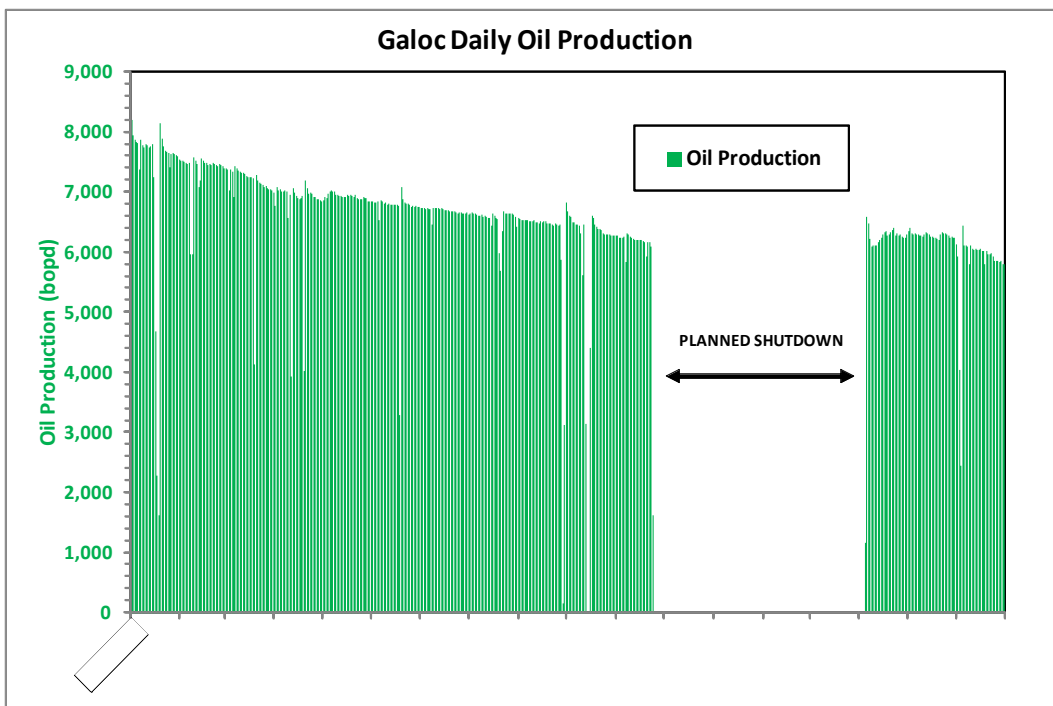
**PRODUCTION AND DEVELOPMENT ASSETS (CONTINUED)**

**SERVICE CONTRACT 14C – GALOC OIL FIELD (CONTINUED)**

*Production and Financial*

	Production (bbls)		Liftings (bbls)		Uptime %
	Gross	Net*	Gross	Net*	
3 <sup>rd</sup> Qtr 2011	595,423	196,490	353,322	116,596	98
4th Qtr 2011	317,972	104,931	702,257	231,745	95
1 <sup>st</sup> Qtr 2012	-	-	-	-	-
2 <sup>nd</sup> Qtr 2012	534,405	176,354	325,546	107,430	99

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



## EXPLORATION ASSETS

### SERVICE CONTRACT 55

**Location:** Offshore Palawan, Philippines  
**Area:** 9,880 km<sup>2</sup>  
**Otto's Interest:** 33.18% - Operator BHP Billiton

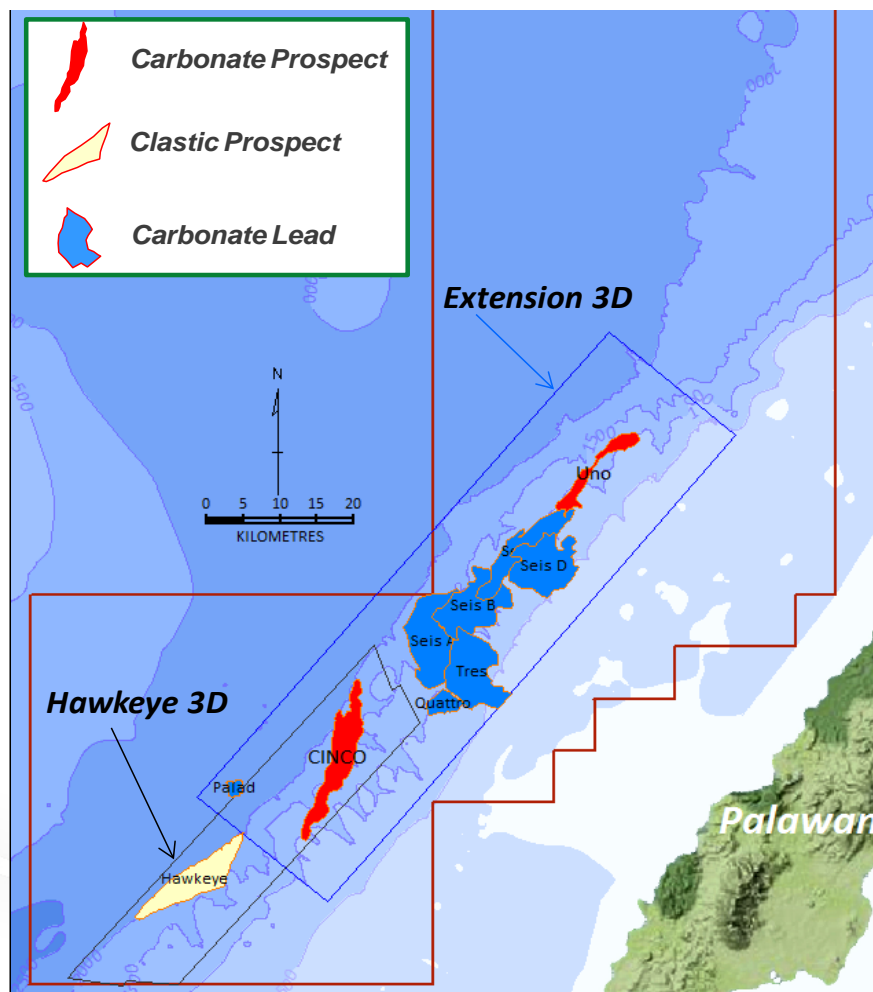
The SC55 joint venture is currently preparing for the drilling phase of exploration activities expected to commence with the Cinco-1 exploration well.

BHP Billiton is currently negotiating access to an appropriate ultra deepwater rig with specialised well control equipment that will promote safe drilling operations on the proposed Cinco prospect. Availability of such rigs is currently limited.

No specific date for commencement of drilling operations in SC55 can be given until a rig has been secured, however Otto maintains its longstanding view that SC55 holds significant hydrocarbon potential and the company looks forward to seeing the drilling program executed as soon as is safely possible. Further updates will be provided to the market as progress is made.

A robust, diverse and extensive portfolio of exploration prospects and leads has emerged from the recent analysis of more than 2,400 km<sup>2</sup> of 3D seismic data 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.

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 55 3D mapped prospects



## EXPLORATION ASSETS (CONTINUED)

### SERVICE CONTRACT 51

**Location:** Onshore Leyte, Philippines  
**Area:** 3,320 km<sup>2</sup>  
**Otto's Interest:** 40% - Operator Otto Energy Group

#### *Onshore 2D Seismic Program*

The seismic acquisition program for 100 km<sup>2</sup> of new 2D data will support optimisation of a drilling location for the follow up well to Duhat-1.

Duhat-1 was drilled in 2011 to test the large San Isidro anticline. During the drilling of this well, oil and gas indications were observed and the presence of an active petroleum system, a working seal and a structure conducive to hydrocarbon entrapment were proven. The well could not be safely deepened to intersect the primary reservoir interval due to adverse pressures.

Once new seismic data has been acquired it will be used to locate a new well on the same structure as tested by Duhat-1. The new data will assist in understanding the pressure regime in the area and help with the selection of a rig capable of drilling to the primary reservoir target.

Seismic work has commenced with line scouting and surveying, which is presently underway. Data acquisition is scheduled to commence in July/August 2012.



*Seismic contractor, BGP's crew auger drilling seismic shot holes, onshore Leyte*

## EXPLORATION ASSETS (CONTINUED)

### SERVICE CONTRACT 69

**Location:** Offshore Visayas, Philippines  
**Area:** 5,280 km<sup>2</sup>  
**Otto's Interest:** 79% - Operator Otto Energy Group

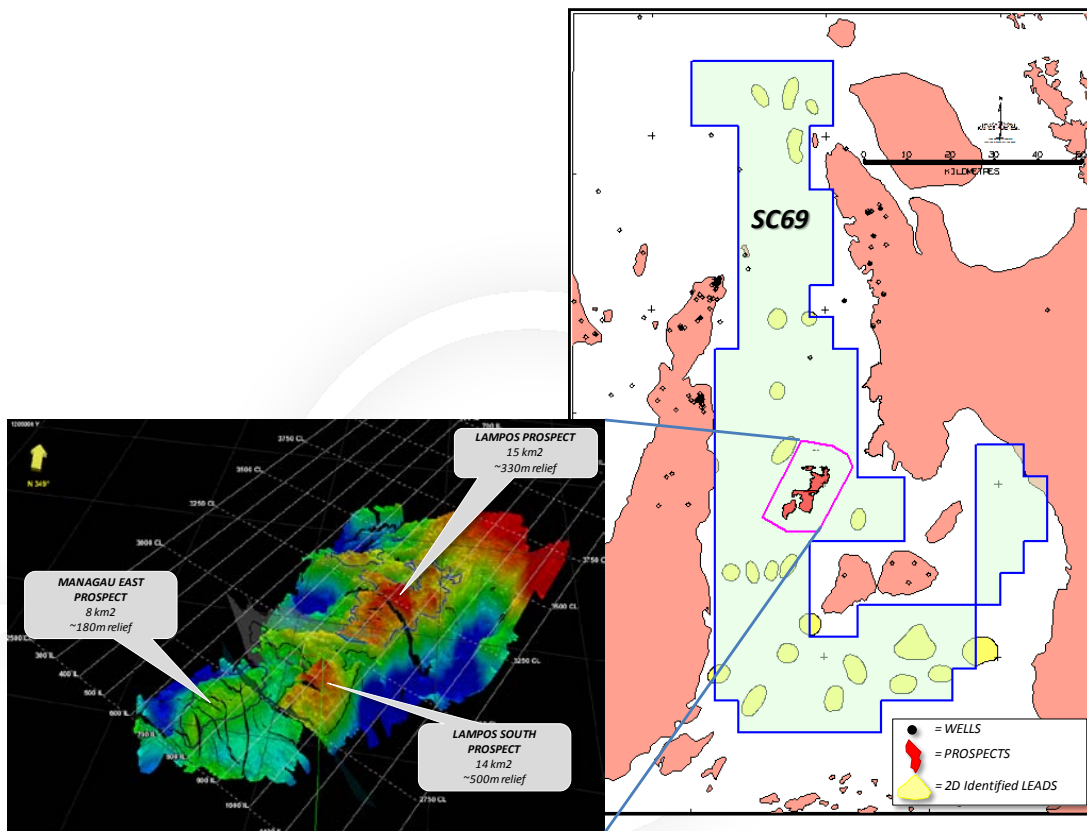
Recent 3D seismic data has confirmed the presence of three attractive potential drilling targets in the most prospective portion of the block, namely Lampos, Lampos South and Managau East.

A nine-month extension to the present permit term was granted by the Philippines DOE to allow sufficient time to complete detailed technical evaluation of the prospects and allow considered selection of the most attractive prospects for drilling.

During the extension period, outstanding technical work will be completed, the prospect portfolio will be ranked and well planning will commence.

The results of the 3D seismic are encouraging and present a series of candidate targets for the first well in the block. In the event of success in the first well, significant follow up targets have already been identified

Sub-Phase	Period	Work Program Commitment
Sub-Phase 3	7 February 2011 to 7 May 2013	50 sqm 3D seismic or drill 1 exploration well
Sub-Phase 4	7 May 2013 to 7 May 2014	50 sqm 3D seismic or drill 1 exploration well
Sub-Phase 5	7 May 2014 to 7 May 2015	Drill 1 exploration well



Service Contract 69 3D mapped prospects

## EXPLORATION ASSETS (CONTINUED)

### KILOSA-KILOMBERO AND PANGANI PSA'S

**Location:** Onshore, Tanzania  
**Area:** ~34,000 km<sup>2</sup>  
**Otto's Interest:** 50% - Operator Swala Oil and Gas (Tanzania) Ltd

In February 2012, Otto announced that it had secured interests in two onshore Production Sharing Agreements (PSAs) in Tanzania, from partner Swala Oil and Gas (Tanzania) Limited ('Swala'). Swala has assigned to Otto a 50% working interest, under the terms of the Area of Mutual Interest Agreement signed in January 2011, in the Kilosa-Kilombero Area and Pangani Area PSA's, both onshore Tanzania.

These PSAs were awarded by the Government of the United Republic of Tanzania on 20 February 2012. The interests will be held by Otto subsidiary, Otto Energy (Tanzania) Pty Ltd.

The overall Kilosa-Kilombero and Pangani acreage covers a gross area of almost 34,000 km<sup>2</sup>. The acquisition of the two blocks is consistent with Otto's strategy to obtain acreage in prospective areas on attractive terms at the beginning of the exploration lifecycle.

The initial stage of exploration in both blocks involves analysis of legacy gravity and magnetic data in the area and the acquisition of new airborne gravity and magnetic information together with associated field work to confirm the presence of a significant sedimentary basin, as suggested by existing regional gravity data.

The legacy data review was completed during the quarter and allowed identification of a number of prospective areas which formed the target for the new acquisition.

New airborne surveys commenced in July 2012.

If results from the initial data acquisition are positive then the Otto-Swala joint venture can elect to acquire seismic data prior to committing to a well in either block. Such a phased approach to exploration allows commitment of funds to be closely aligned with emerging prospectivity.

**Airborne surveys in Pangani Area, Tanzania, commenced in July 2012**



## CORPORATE

### CASH OUTFLOWS

Otto's free cash reserve at the end of the quarter was US\$28.320 million (Mar: US\$29.545 million).

Historic and expected cash outflows in the coming quarter are shown below:

	Sep 12 Qtr US\$m Forecast	Jun 12 Qtr US\$m Actual	Mar 12 Qtr US\$m Actual	Dec 11 Qtr US\$m Actual	Sept 11 Qtr US\$m Actual
Philippines					
SC 14C					
Production	5.12	5.74	3.79	4.75	-
Development	3.08	1.21	4.36	-	-
SC 51	2.03	1.45	0.09	0.02	0.01
SC 55	-	-	-	-	0.13
SC 69	0.26	0.51	-	0.31	2.41
Tanzania	0.30	0.37			
Business Development	-	-		-	0.35
Administration	1.45	1.25	2.29	1.68	2.26
<b>Total</b>	<b>12.24</b>	<b>10.53</b>	<b>10.53</b>	<b>6.76</b>	<b>5.16</b>



**CORPORATE (CONTINUED)****SHAREHOLDERS**

Otto's issued capital as at 30 June 2012:

	<b>Number</b>
Fully paid ordinary shares	1,138,290,071
Unlisted Options <sup>1</sup>	34,750,000
Performance Rights	27,000,000

<sup>1</sup> Exercisable between 12 and 60 cents per share with expiration dates from 1 August 2012 to 5 January 2012.

Otto's Top 20 Holders as at 29 June 2012:

**TOP 20 SHAREHOLDERS AS AT 29 JUNE 2012**

<b>Rank</b>	<b>Name</b>	<b>Units</b>	<b>% of Units</b>
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%
5	NATIONAL NOMINEES LIMITED	46,264,495	4.06%
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	29,354,665	2.58%
6	J P MORGAN NOMINEES AUSTRALIA LIMITED	19,703,358	1.73%
7	JOHN JETTER (CONSOLIDATED RELEVANT INTEREST)	19,089,175	1.68%
8	CITICORP NOMINEES PTY LIMITED <CWLTH BANK OFF SUPER A/C>	17,526,262	1.54%
9	RICK CRABB (CONSOLIDATED RELEVANT INTEREST)	17,495,052	1.54%
10	CITICORP NOMINEES PTY LIMITED	17,055,655	1.50%
11	ESCOR INVESTMENTS PTY LTD	15,915,000	1.40%
12	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	14,020,833	1.23%
13	NAVIGATOR AUSTRALIA LTD	8,946,695	0.79%
14	ESCOT FINANCE LTD	8,150,000	0.72%
15	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	7,713,121	0.68%
16	MIDDLE EAST PETROLEUM SERVICES LTD	6,659,402	0.59%
17	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,424,989	0.56%
18	DALY FINANCE CORP	5,763,250	0.51%
19	FORSYTH BARR CUSTODIANS LTD <FORSYTH BARR LTD-NOMINEE A/C>	5,488,216	0.48%
20	MR DAVID KENNETH ANDERSON & MRS CHARMAYNE ANDERSON	5,000,000	0.44%
<b>TOTAL TOP 20 SHAREHOLDERS</b>		<b>818,281,022</b>	<b>71.89%</b>
TOTAL REMAINING SHAREHOLDERS		320,009,049	28.11%
<b>TOTAL SHARES ON ISSUE</b>		<b>1,138,290,071</b>	<b>100.0%</b>

## OTTO AT A GLANCE

- ASX-listed Oil and Gas Company with assets in SE Asia and East Africa
- Focus on conventional oil and gas exploration and production
- Operator of the Galoc Oil Field
- High impact offshore deepwater exploration well in SC55 in the Philippines.

## DIRECTORS

### Chairman:

Rick Crabb

### Non-Executive Directors:

Ian Boserio

Ian Macliver

John Jetter

Rufino Bomasang

## OFFICERS

### Chief Executive Officer:

Gregor McNab

### Chief Financial Officer/ Company Secretary:

Matthew Allen

## CONTACTS

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## Definitions

(1) "\$m" means millions of dollars

(2) "bbl" means barrels per day

## Competent Person Statement

The Reserve and Contingent Resource estimates outlined in this report 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.