



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

By E-Lodgement

QUARTERLY REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2010

The quarter ended 30 September 2010 has seen Otto Energy Ltd ("Otto") continue to develop its production assets and mature its exploration assets.

- Galoc production of 687,771 bbl gross (129,163 bbl net to Otto) of crude oil with 92% uptime
- Commitment made to drilling the Duhat-1 well in SC51, onshore Leyte

The Galoc oil field has now produced a total of 5.83Mbbbls of crude oil as of 30th September 2010 and delivered 17 offtakes to refinery customers. The field was producing ~8,000 bopd at the end of quarter. Otto, through its shareholding in the Operator GPC, is working to continue to improve facility performance and plan for the appraisal and development of the remainder of the field.

During the quarter, interpretation of the 600km² 3D seismic program covering the Hawkeye prospect and adjacent leads in SC55 was progressed. Processing of the Extension 1,800km² 3D seismic data also in SC55 continued and initial products for interpretation will be available during November 2010.

Otto is debt free, has interests in two producing areas, one offshore oil and the other onshore gas, and a significant interest in high potential Philippine exploration acreage. Cash reserves at the end of Q3 were US\$32.7 Million. Otto has delivered on its targets to date in 2010 and remains confident in meeting targets for the last quarter of 2010.

All enquiries are to be addressed to Matthew Allen, Chief Financial Officer on +61 8 6467 8800 or e-mail 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

Paul Moore,

Managing Director

Jaap Poll, Director

Ian Macliver, Director

Rufino Bomasang, Director

John Jetter, Director

Ian Boserio, Director

Matthew Allen,

CFO/Coy Sec



QUARTERLY ACTIVITIES REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2010

OPERATIONAL HIGHLIGHTS

Galoc Production

- Production for the quarter of 687,771 bbls of crude oil gross (June quarter 796,815 bbls) (129,163 bbl net, June quarter 149,642 bbl net) was achieved by the Galoc Oil Field. Two offtakes were delivered to customers. Payments of US\$3.703 million received by Otto from Galoc Production Company (GPC) after deduction of operating/lifting costs
- The Rubicon Intrepid FPSO production facility achieved an uptime of 92% for the quarter. There were no disconnections from the mooring and riser during the period and the only process shutdowns were for the installation of a mooring and riser system enhancement that has subsequently been removed from the field
- Production for 2010 YTD of 422,907 bbl (net to Otto) has resulted in Otto exceeding its annual production target of 400,000 bbl for the calendar year 2010 with one quarter of production remaining
- Otto continues to contribute to the design of potential facilities upgrade options as well as a potential second phase of development being planned by GPC

Turkey Production

- Production for the quarter of 583 Mscf of gas gross (June quarter 655 Mscf) (204 Mscf net, June quarter 229 Mscf net).
- The average price realised in the quarter for gas sales was US\$7.40 mscf. Revenues from gas sales were US\$1.543m (June quarter US\$1.673m)
- Ongoing operations in the Edirne licence focused on connecting recent discoveries to the gas plant and enhancing recoveries from existing fields

Exploration and Development

- Processing and geological and geophysical interpretation of the extensive 2D and 3D seismic data sets recently acquired in Service Contracts 55 and 69, are in progress

FINANCIAL HIGHLIGHTS

		2010 YTD	September 2010 Quarter	June 2010 Quarter	Movement	Change %
Production (net to Otto)						
- Galoc	bbl	129,163	129,163	149,642	(20,479)	(13.7%)
- Edirne ⁽¹⁾	Mscf	204	204	229	(25)	(10.9%)
	boe	34,012	34,012	38,500	(4,488)	(10.9%)
Liftings (net to Otto) ⁽⁴⁾ (Galoc)	bbl	130,979	130,979	192,902	(61,923)	(32.1%)
Receipts from GPC	US\$m	3.703	3.703	5.805	(2.102)	(36.2%)
Outstanding GPC Receivable	US\$m	-	-	3.200	(3.200)	(100%)
Closing Cash Position ⁽⁵⁾	US\$m	32.741	32.741	29.707	3.034	10.2%
Expenditure (excl GPC costs) ⁽⁶⁾	US\$m	4.092	4.092	3.830	0.262	6.8%

(1) "Mscf" means million standard cubic feet

(2) "mscf" means thousand standard cubic feet

(3) "boe" means barrels of oil equivalent. In common with international practice, dry gas volumes are converted to oil equivalent volumes via a constant conversion factor, for which Otto adopts 6 mcf of dry gas to one boe

(4) Receipts from GPC are subject to timing and payment conditions on oil deliveries and may therefore not correspond to liftings sold in the quarter

(5) Closing cash position does not include unspent monies of US\$7.242m held in escrow to fund the acquisition and processing of the 1,800 km² 3D seismic in SC 55

(6) Expenditure does not include GPC operating costs – these are deducted prior to remitting funds to Otto

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

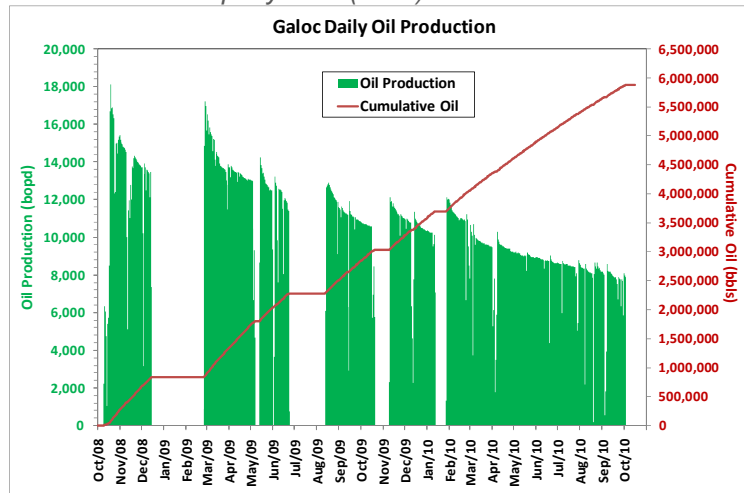
(8) "bopd" means barrels per day

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 12 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 appears.

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 92% was experienced in the September quarter (June quarter 100%). Minor process shutdowns occurred due to the installation of a mooring and riser system enhancement (Torpedo Buoy)
- Production to date from the Galoc field is 5.83 Mbbbl gross (1.09 Mbbbl to Otto)
- Field daily production averaged ~7,476 bopd during the quarter

	Quantity bbls	Uptime %	Rolling 12 Month Average
3 rd Qtr 2009	547 223	53	60
4 th Qtr 2009	747 767	78	62
1 st Qtr 2010	767 315	83	74
2 nd Qtr 2010	796 815	100	78
3 rd Qtr 2010	687,771	92	89

Offtakes:

- Two offtakes of Galoc crude oil were completed in the quarter with approximately 697,437 barrels gross (June quarter 1,027,165 bbls) (130,979 bbls net, June quarter 192,902 net) 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. Cargo 18 has been sold and will be delivered in mid-November

Phase 1 Facilities Upgrade Options:

- Operator GPC has installed a Torpedo Buoy during the quarter which will assist with the disconnection and reconnection procedures of marine operations. During the non-routine disconnection in October, the Torpedo Buoy has separated from the mooring and riser system and is currently being recovered from the field. Improvements in operating procedures have seen significant improvement in facility uptime in the last four quarters

Phase 2 Potential Development:

- Reservoir development activities, including both interpretation and mapping of the recently reprocessed seismic data and future development well location selection/ranking continued in the quarter

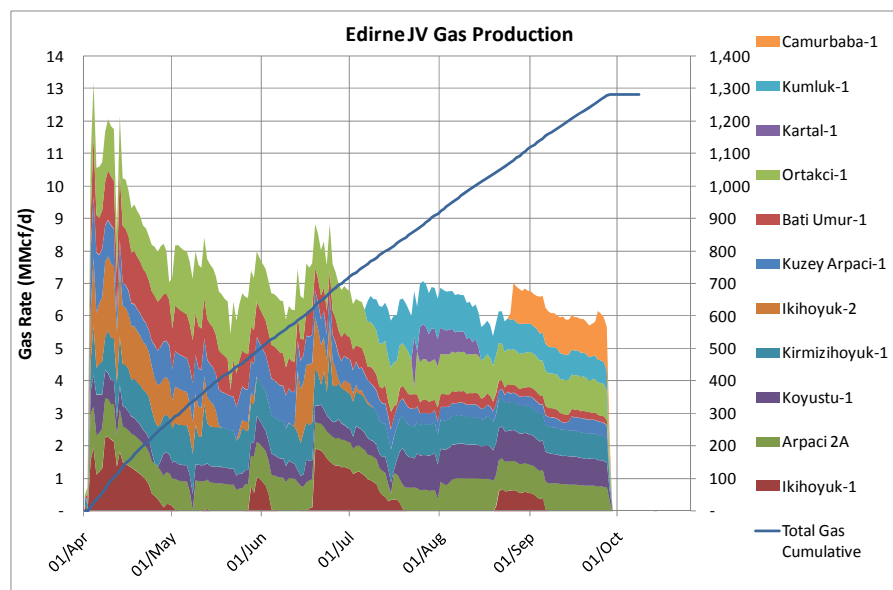
PRODUCTION AND DEVELOPMENT ASSETS (CONTINUED)

TURKEY

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

Production

- Production for the quarter was 583Mscf of gas (gross) (June quarter was 655 Mscf) (204 Mscf gas net, June quarter 229 Mscf net)
- The average price realised in the quarter for gas sales was US\$7.40 per mscf
- Revenues from gas sales in the quarter were US\$1.543m (June quarter US\$1.673m)
- Production rates have performed lower than expectation and have ranged between 6 and 8 Mscf/day. Phase 2 discoveries, with the exception of Ortacki-2, have now been tied into the EGF and well head compression is operating in the field to enhance recovery
- The joint ventures ongoing work programme includes connection into the infrastructure of the third party gas discoveries in which Otto does not have an interest



Exploration

- Phase 2 exploration and appraisal drilling commenced in 2010 has been completed

Production/Reservoir Development

- Additional perforations and water shut-off operations have been completed on production wells to enhance production recoveries on Koyustu-1, Ikihoşuk-1, Arpacı-2A and Ikihoşuk-2 wells
- Tie-in of Phase 2 discoveries were undertaken with Kumluk-1, Kartal-1 and Camurbaba-1 successfully commissioned in the quarter. Ortacki-2 was tied in on 8th October
- A well-head compression unit was running on Kuzey Arpacı-1 wells. This unit is mobile and will be moved throughout the field to enhance recovery from individual fields

EXPLORATION ASSETS

PHILIPPINES

Service Contract 55

- OEL (through its wholly-owned subsidiary NorAsian Energy Ltd) 85% Interest and Operator
- Area 9,880 km²
- Work commitments in current sub-phase completed. Next sub-phase commences August 2011 and includes drilling of one deepwater exploration well by August 2012

During the quarter interpretation of the 600km² 3D seismic program covering the Hawkeye prospect was progressed. Initial results of this interpretation provided promising results.

Processing of the 1,800 km² Extension 3D seismic data has commenced and initial products for interpretation will be available during November 2010.

Service Contract 50

- OEL (through its wholly-owned subsidiary NorAsian Energy Ltd) 85% Interest and Operator
- Area 1,280 km²
- Work commitment in the current sub-phase requires two wells in the Calait field by March 2011

Various development concepts are being evaluated by Otto to develop the Calait field. Otto continues to seek partners to participate in an appraisal and extended well test program (EWT) of the Calait Field designed to determine the commerciality of the resource.

Service Contract 51

- OEL (through its wholly-owned subsidiary NorAsian Energy Ltd) 80% Interest and Operator
- Area 3,320 km²
- Work commitment in the current sub-phase requires drilling of 1 exploration well by December 2010

Commitment made to drill the onshore Duhat-1 exploration well on the island of Leyte. This is a commitment well planned to be drilled to a depth of 1000 metres targeting Miocene age sandstone reservoir of the Tagnacot formation. Duhat-1 will be drilled in Q1 2011 subject to endorsement by the Philippine Department of Energy that timing will meet the Service Contract timing commitment. Otto is currently in discussion with a farm-in partner to participate in this well with commercial terms agreed and pending satisfaction of conditions precedent to this agreement being unconditional.

Service Contract 69

- OEL (through its wholly-owned subsidiary NorAsian Energy Phils Inc) 70% Interest and Operator
- Area 7,040 km²
- Work commitment in the current sub-phase completed

Processing of the 900km of 2D seismic data in the block acquired during the first quarter 2010, was completed in September. Interpretation of these seismic data has now commenced. Otto is likely to enter the next sub-phase in February 2011 which contains a minimum work programme commitment of 50 km² of 3D seismic.

CORPORATE

SHAREHOLDERS

Otto's issued capital as at 30 September 2010

Class	Number
Fully paid ordinary shares	1,134,540,071
Unlisted Options ¹	57,750,000

¹ Exercisable between 12 and 60 cents per share.

TOP 20 SHAREHOLDERS AS AT 1 OCTOBER 2010

Rank	Name	Units	% of Units
1	MOLTON HOLDINGS LTD	241,910,757	21.32%
2	SANTO HOLDING AG	241,910,757	21.32%
3	NATIONAL NOMINEES LIMITED	63,591,211	5.61%
4	CITICORP NOMINEES PTY LIMITED	28,949,502	2.55%
5	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	23,907,236	2.11%
6	ESCOR INVESTMENTS PTY LTD	20,000,000	1.76%
7	J P MORGAN NOMINEES AUSTRALIA LIMITED	21,077,333	1.86%
8	JOHN JETTER (CONSOLIDATED RELEVANT INTEREST)	19,089,175	1.68%
9	CABLE NOMINEES PTY LTD	17,466,934	1.54%
10	RICK CRABB (CONSOLIDATED RELEVANT INTEREST)	16,995,052	1.50%
11	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	16,738,508	1.48%
12	JAAP POLL (CONSOLIDATED RELEVANT INTEREST)	14,794,206	1.30%
13	YRS INVESTMENTS LIMITED	13,520,833	1.19%
14	DALY FINANCE CORP	8,150,000	0.72%
15	ESCOT FINANCE LTD	8,150,000	0.72%
16	JOHN ZADNIK (CONSOLIDATED RELEVANT INTEREST)	6,757,747	0.60%
17	FORBAR CUSTODIANS LIMITED <FORSYTH BARR LTD-NOMINEE A/C>	6,316,986	0.56%
18	IAN MACLIVER (CONSOLIDATED RELEVANT INTEREST)	6,306,942	0.56%
19	WILLIAM TAYLOR NOMINEES PTY LTD	5,400,000	0.48%
20	MR DAVID KENNETH ANDERSON + MRS CHARMAYNE ANDERSON <THE CANTERBURY S/FUND A/C>	5,000,000	0.44%
TOTAL TOP 20 SHAREHOLDERS		786,033,179	69.28%
TOTAL REMAINING SHAREHOLDERS		348,506,892	30.72%

ESTIMATED CASH OUTFLOWS

Otto's free cash reserve at the end of the quarter were US\$25.498 million (June: US\$19.986 million). This excludes US\$7.242 million (June: US\$8.283 million) remaining in escrow to fund the SC 55 seismic acquisition and processing.

Expected cash outflows in the coming quarter are as follows:

	December 2010 Quarter US\$m Forecast	Sept 2010 Quarter US\$m Actual	June 2010 Quarter US\$m Actual	March 2010 Quarter US\$m Actual
Philippines				
• SC 14C	0.02	0.05	-	-
• SC 50	0.02	-	-	-
• SC 51	0.87	0.03	0.02	-
• SC 55 ⁽¹⁾	0.68	-	0.22	2.80
• SC 69	0.06	-	0.83	0.44
Turkey	-	1.91	1.57	0.70
Administration	1.11	2.09	1.20	1.58
Total	2.76	4.09	3.83	5.51

⁽¹⁾ Excludes US\$1.221 million spent on processing and interpretation of the 1,800 km² 3D seismic in SC 55 in the quarter.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

OTTO ENERGY LIMITED

ABN

56 107 555 046

Quarter ended ("current quarter")

30 September 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$US'000	Year to date (3months) \$US'000
1.1 Receipts from product sales and related debtors	2,073	2,073
1.2 Payments for		
(a) exploration & evaluation		
Excluding 1,800km ² SC55 seismic	(2,007)	(2,007)
1,800km ² SC55 seismic	(1,221)	(1,221)
(b) development	-	-
(c) production	-	-
(d) administration	(2,085)	(2,085)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – Recharge income	-	-
Other – Seismic Acquisition Contribution	-	-
Net Operating Cash Flows	(3,240)	(3,240)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(83)	(83)
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	3,703	3,703
1.12 Other (provide details if material)	-	-
Net investing cash flows	3,620	3,620
1.13 Total operating and investing cash flows (carried forward)	380	380

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	380	380
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	2,627	2,627
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(1)	(1)
1.18	Loan to employee	-	-
1.19	Costs associated with the issue of shares	-	-
	Net financing cash flows	2,626	2,626
	Net increase (decrease) in cash held	3,006	3,006
1.20	Cash at beginning of quarter/year to date	29,707	29,707
1.21	Exchange rate adjustments to item 1.20	28	28
1.22	Cash at end of quarter	32,741	32,741

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 \$US'000
1.23	Aggregate amount of payments to the parties included in item 1.2	123
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	69
Payments to Director Related Companies	54

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

Estimated cash outflows for next quarter

		\$US'000
4.1	Exploration and evaluation	1,642
4.2	Development	-
4.3	Production	-
4.4	Administration	1,115
Total		2,757

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 \$US'000	Previous quarter \$US'000
5.1 Cash on hand and at bank	32,401	29,549
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other – Term Deposit	340	158
Total: cash at end of quarter (item 1.22)	32,741	29,707

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	None		
6.2	Interests in mining tenements acquired or increased	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	1,134,540,071	1,134,540,071		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	61,855,350 Nil	61,855,350 Nil	\$0.05 cents (pursuant to exercise of unlisted plan options)	\$0.05 cents (pursuant to exercise of unlisted plan options)
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>	57,750,000 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 7,500,000 Exercise Price \$0.12 6,000,000 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	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 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
7.8	Issued during quarter	3,000,000 Unlisted	Nil	3,000,000 Exercise Price \$0.12	On or before 11 August 2013
7.9	Exercised during quarter	61,855,350 Unlisted	Nil	61,855,350 Exercise Price \$0.05	On or before 3 July 2010
7.10	Expired during quarter	Nil	Nil	Nil	Nil
7.11	Debentures <i>(totals only)</i>	Nil	Nil	Nil	Nil
7.12	Unsecured notes <i>(totals only)</i>	Nil	Nil	Nil	Nil
	Performance Based Shares	Nil	Nil	Nil	Nil
	Changes during quarter	-	-	-	-

+ 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
Managing Director
28 October 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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