29 January 2012

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

By E-Lodgement

QUARTERLY REPORT FOR THE
THREE MONTHS ENDED 31 DECEMBER 2011

Highlights:

- Executed final farm-in documentation for Service Contract 55 with partner BHP Billiton. Requests for approval of assignment and change of operator have been submitted to the Department of Energy. Work continues for drilling Cinco-1 exploration well.
- Galoc joint venture achieved:
  - Completed delivery of Cargo 25
  - Sail-away of FPSO Rubicon Intrepid for planned maintenance and installation of upgraded mooring and riser system in Singapore
  - Commencement of new 3D seismic acquisition over the Galoc oil field and adjacent Galoc North exploration prospect as part of the Phase II development
  - Continued Front End Engineering and Design (FEED) for the Phase II development

Corporate

Mr Gregor McNab was appointed as Chief Executive Officer and commenced employment with Otto on 1 November 2011.

Production

Since the start-up of production in October 2008, the Galoc oil field has produced a total of 8.46 million barrels of crude oil as of 31st December 2011, and delivered 25 offtakes to refinery customers.

As at the end of the December 2011 quarter, the field was shut-in while planned maintenance and installation of a substantial upgrade of the mooring and riser system was undertaken in Singapore. The FPSO Rubicon Intrepid is scheduled to return to the field and production to recommence by late Q1 2012.

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 around mid-2012.

Exploration and Development

In Service Contract 55, planning has commenced for the drilling of an offshore deepwater well at the Cinco prospect. This included submission of the necessary work programme and budget to Department of Energy which has subsequently received their approval.

Otto is working with farm-in partner BHP Billiton who is carrying Otto's share of expenditure on the drilling of Cinco well, to progress preparations for this exploration drilling activity.

OTTO AT A GLANCE

- ASX-listed oil and gas company with significant growth potential.
- Operator of the producing Galoc Oil Field which provides cash flow.
- High impact offshore deepwater exploration well in SC55 in the Philippines in 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
Gregor McNab	CEO
Matthew Allen	CFO/Coy Secretary

Contact: Matthew Allen Acting CEO and Chief Financial Officer +61 8 6467 8800 info@ottoenergy.com	Media: John Gardner/Ian Pope MAGNUS Investor Relations + Corporate Communication +61 8 9212 0101 or +61 2 8999 1010 jgardner@magnus.net.au ipope@magnus.net.au

QUARTERLY ACTIVITIES REPORT
FOR THE QUARTER ENDED 31 DECEMBER 2011

FINANCIAL HIGHLIGHTS

		2011 YTD	December 2011 Quarter	September 2011 Quarter	Movement	Change %
Production (net to Otto) - Galoc	**bbl**	301,421	104,931	196,490	(91,559)	(46.60%)
Liftings (net to Otto) - Galoc	**bbl**	348,341	231,745	116,596	115,149	98.76%
Receipts from GPC	**US$m**	6.872	-	6.872	(6.872)	(100.00%)
Revenue [(3)]	**US$m**	19.64	19.64	-	19.640	100%
Closing Cash Position	**US$m**	28.316	38.716	28.316	10.400	36.72%
Expenditure[(3)]	**US$m**	5.16	6.76	5.16	1.60	31.00%

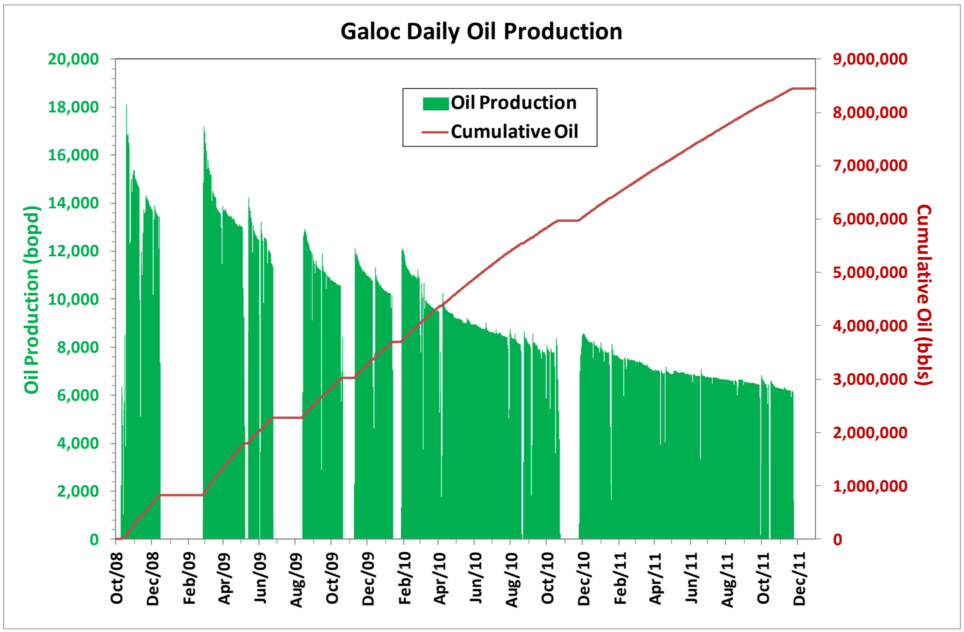
(1) "$m" means millions of dollars
(2) "bbl" means barrels per day
(3) GPC has been consolidated into the Otto Group effective 1 October 2011. From this date all revenues and expenses of GPC will be reported as part of Otto Group results

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 km^2*
- *Otto (through its wholly owned subsidiary Galoc Production Company WLL) 33% Interest and Operator*



Production/Financial

- Facility uptime rolling 12 month average is now 98% (until facility disconnection on 23 November 2011)
- Production to date from the Galoc field is 8.46 Mbbl gross
- Field daily production averaged ~5,888 bopd during the quarter until disconnection for riser and mooring upgrade on 23 November 2011
- Revenue of US$19.6 million received during the quarter

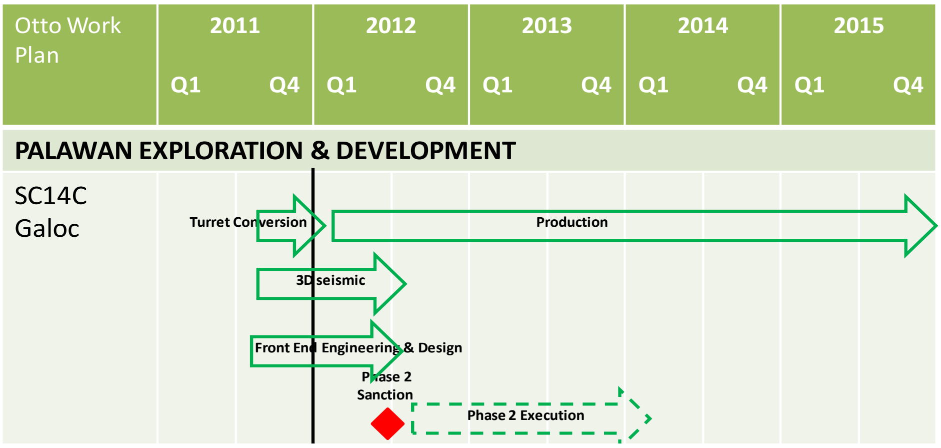
	Production bbls		Liftings bbls		Uptime %	Rolling 12 Month Average
	Gross	Net*	Gross	Net*		
1st Qtr 2011	651,551	122,361	706,038	132,594	98	87
2nd Qtr 2011	618,244	204,021	685,028	226,059	100	88
3rd Qtr 2011	595,423	196,490	353,322	116,596	98	90
4th Qtr 2011	317,972	104,931	702,257	231,745	95	98

*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 24 and 25 of Galoc crude oil was completed in the quarter. 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.

GALOC OIL FIELD



Improved Mooring and Riser System (Turret Conversion)

The Galoc joint venture in July 2011 approved an upgrade of the mooring and riser system at the FPSO Rubicon Intrepid. This upgrade is expected to substantially increase the FPSO operating uptime to in excess of 95% due to the enhanced and simplified single point mooring system.

The project, being implemented by the vessel owner Rubicon Offshore International, will involve retrofitting of an external, non-disconnectable, turret mooring system.

The FPSO finalised offtake cargo 25 on 23 November 2011 and sailed to Singapore to commence the 3-month turret installation work program at the Keppel shipyard. Whilst the FPSO is out of the field, the seabed anchoring and riser modifications is being undertaken in preparation for the reconnection of the FPSO on return to the field in late Q1 2012.

Project progress is on schedule with works currently underway in the Keppel shipyard in Singapore.

Phase II Development

The Galoc joint venture has approved the acquisition of 184 km^2 of new 3D seismic covering the Galoc field and the adjacent Galoc North exploration prospect. The seismic was being acquired at the end of the quarter. The resulting inversion and interpretation will be available in mid-Q2 2012.

The new 3D seismic will support the placement of Phase II wells in the reservoir and de-risk this major capital expenditure. In addition, it will also mature the Galoc North exploration prospect, which may be included as part of Phase II or a further phase of development at the field.

The Galoc joint venture has approved commencement of Front End Engineering and Design (FEED) work to determine the exact locations and number of additional wells to be drilled for Phase II, with drilling likely to take place in 2013.

The scope of FEED work, includes subsurface modelling of the reservoir, drilling and completion design, subsea engineering and tie-back design for the new wells and joint venture financing considerations.

The final project approval, Final Investment Decision (FID), is targeted for mid-2012. The Galoc joint venture will consider pre-investment in required infrastructure, including wellheads, flowlines and umbilical lines during the FEED stage.

EXPLORATION ASSETS

Service Contract 55, Offshore Palawan, Philippines

- *Otto (through its wholly-owned subsidiary NorAsian Energy Ltd) 33.18% Interest) (after receipt of government approval of assignment to BHP Billiton).*
- *Area 9,880 km^2*
- *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 has finalised farm-in arrangements with BHP Billiton and is currently preparing for the drilling phase of exploration activities to commence with the drilling of the Cinco-1 exploration well.

Prior to 5 August 2011, joint venture participants notified the joint venture to the Department of Energy of their decision 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.

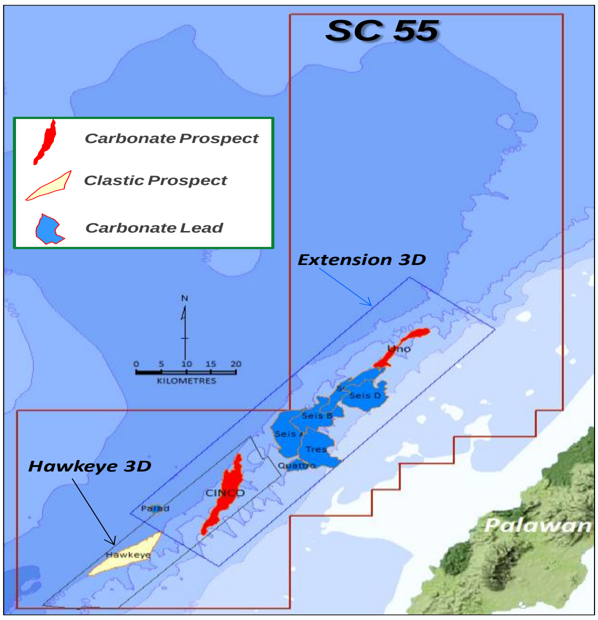
A robust, diverse and extensive portfolio of exploration prospects and leads has emerged from the recent analysis of the over 2,400 km^2 of 3D seismic acquired in 2010. This portfolio has significant depth and variety and will present a high impact exploration drilling program for Otto over the remaining 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 geologically 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 km^2*
- *Work commitment to commence the 2D seismic program in early 2012*

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	31July 2013	08 March 2014	1 well

Otto is working with its partners in SC51 to commence the 2D seismic program in late Q1 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 km^2*
- *Work commitment in current sub-phase contains a minimum 3D seismic requirement of 50 km^2 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 km^2 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 Calangaman 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 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.

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CORPORATE

ESTIMATED CASH OUTFLOWS

Otto's free cash reserve at the end of the quarter was US$38.716 million (Sept: US$25.292 million). 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:

	Mar 2012 Quarter US$m Forecast	Dec 2011 Quarter US$m Actual	Sept 2011 Quarter US$m Actual	Jun 2011 Quarter US$m Actual
Philippines				
• SC 14C			-	-
○ Production	4.90	4.75	-	-
○ Development	2.51	-	-	-
• SC 51	0.63	0.02	0.01	2.20
• SC 55 (1)	0.15	-	0.13	0.05
• SC 69	0.36	0.31	2.41	0.23
Business Development	0.38	-	0.35	0.46
Administration	2.08	1.68	2.26	2.68
Total	11.01	6.76	5.16	5.62

SHAREHOLDERS

Otto's issued capital as at 31 December 2011:

	Number
Fully paid ordinary shares	1,138,290,071
Unlisted Options[1]	37,750,000
Performance Rights	27,000,000

[1] *Exercisable between 12 and 60 cents per share.*

TOP 20 SHAREHOLDERS AS AT 30 DECEMBER 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	34,539,968	3.03%
5	NATIONAL NOMINEES LIMITED	25,202,330	2.21%
6	ESCOR INVESTMENTS PTY LTD	20,000,000	1.76%
7	JOHN JETTER (CONSOLIDATED RELEVANT INTEREST)	19,089,175	1.68%
8	J P MORGAN NOMINEES AUSTRALIA LIMITED	17,570,907	1.54%
9	RICK CRABB (CONSOLIDATED RELEVANT INTEREST)	17,495,052	1.54%
10	CITICORP NOMINEES PTY LIMITED	15,932,728	1.40%
11	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	14,211,485	1.25%
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	ESCOT FINANCE LTD	8,150,000	0.72%
15	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	6,990,023	0.61%
16	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	6,749,685	0.59%
17	MIDDLE EAST PETROLEUM SERVICES LTD	5,944,402	0.52%
18	DALY FINANCE CORP	5,763,250	0.51%
19	FORSYTH BARR CUSTODIANS LTD <FORSYTH BARR LTD-NOMINEE A/C>	5,548,266	0.49%
20	IAN MACLIVER (CONSOLIDATED RELEVANT INTEREST)	5,299,721	0.47%
TOTAL TOP 20 SHAREHOLDERS		**799,916,091**	**70.27%**
TOTAL REMAINING SHAREHOLDERS		338,373,980	29.73%
TOTAL SHARES ON ISSUE		**1,138,290,071**	**100.0%**

Rule 5.3

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	Quarter ended ("current quarter")
56 107 555 046	31 December 2011

Consolidated statement of cash flows

	Cash flows related to operating activities	Curent quarter $US'000	Year to date (6 months) $US'000
1.1	Receipts from product sales and related debtors	19,649	19,942
1.2	Payments for (a) exploration & evaluation		
	-Excluding 1800km2 SC55seismic	(332)	(3,064)
	-1800km2 SC55seismic	-	(164)
	(b) development	-	-
	(c) production	(4,757)	(4,757)
	(d) administration	(1,675)	(3,940)
1.3	Dividends received	-	6,872
1.4	Interest and other items of a similar nature received	2	6
1.5	Interest and other costs of finance paid	(8)	(12)
1.6	Income taxes paid	(2,192)	(2,192)
1.7	Other (Farm In Contribution)	-	-
	Net Operating Cash Flows	10,687	12,691
	Cash flows related to investing activities		
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	(23,329)
	(c) other fixed assets	(287)	(379)
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
	Net investing cash flows	(287)	(9,559)
1.13	Total operating and investing cash flows (carried forward)	10,400	3,132

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	10,400	3,132
	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	10,400	3,132
1.20	Cash at beginning of quarter/year to date	28,316	35,624
1.21	Exchange rate adjustments to item 1.20	-	(40)
1.22	**Cash at end of quarter**	38,716	38,716

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	1,136
4.2	Development	2,887
4.3	Production	4,902
4.4	Administration	2,079
	Total	**11,004**

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	28,670	24,136
5.2	Deposits at call	3,975	3,975
5.3	Bank overdraft		
5.4	Other (Term Deposit)	6,071	205
	Total: cash at end of quarter (item 1.22)	38,716	28,316

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				

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** *(description)*	Nil	Nil		

+ See chapter 19 for defined terms.

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	Nil Nil	Nil 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.

7.7	**Options** *(description and conversion factor)*	37,750,000 Unlisted Options	Nil	1,500,000 Exercise Price $0.35	On or before 10 Apr 2012
			Nil	2,500,000 Exercise Price $0.60	On or before 01 Aug 2012
				4,000,000 Exercise Price $0.12	On or before 08 September 2012
				1,000,000 Exercise Price $0.12	On or before 19 January 2013
				5,500,000 Exercise Price $0.12	On or before 16 February 2013
				3,000,000 Exercise Price $0.12	On or before 11 August 2013
				13,000,000 Exercise Price $0.12	On or before 26 November 2013
				6,000,000 Exercise Price $0.125	On or before 30 November 2013
				1,250,000 Exercise Price $0.12	On or before 13 October 2012
				4,000,000 Performance Rights	On or before 31 December 2014
				4,000,000 Performance Rights	On or before 31 December 2014
				4,000,000 Performance Rights	On or before 31 December 2014
				5,000,000 Performance Rights	On or before 1 April 2014
				5,000,000 Performance Rights	On or before 1 November 2014
				5,000,000 Performance Rights	On or before 1 April 2015
7.8	Issued during quarter	Nil	Nil	Nil	Nil

7.9	Exercised during quarter	Nil	Nil	Nil	Nil
7.10	Expired during quarter	Nil	Nil	Nil	Nil
7.11	**Debentures** *(totals only)*	Nil	Nil	Nil	Nil
7.12	**Unsecured notes** *(totals only)*	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 5).

2 This statement does give a true and fair view of the matters disclosed.

Gregor McNab
Chief Executive Officer
27 January 2012

+ 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 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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