

Quarterly REPORT



THREE MONTHS ENDED 31 DECEMBER 2012

QUARTERLY HIGHLIGHTS

- Executed final binding facility agreements with BNP Paribas for US\$37.4 million of project financing for Otto's share of capital expenditure for the Galoc Phase II project
- Galoc production averaged 5,044 bbl during the quarter; FPSO reliability maintained since upgrade in early 2012
- Galoc Phase II project contracts awarded for service providers; key equipment started to arrive in Southeast Asia ahead of start-up of drilling operations in Q2 2013
- 2D seismic acquisition completed in SC51 Onshore Leyte over the San Isidro anticline leading to joint venture approval to drill the Duhat-2 well in mid-2013
- Closing cash position of US\$19.289 million after funding of all activities. No debt drawdown during quarter

PRODUCTION & FINANCIAL SUMMARY

		Dec 2012 Quarter	Sept 2012 Quarter	Change %
Production (net to Otto)	bbl	153,137	159,656	(4.08%)
Liftings (net to Otto)	bbl	232,806	122,119	90.64%
Revenue	US\$m	12.259	12.557	(2.37%)
Closing Cash Position ⁽¹⁾	US\$m	19.289	25.974	(25.74%)
Expenditure	US\$m	14.50	14.52	(0.14%)

Note 1: Cargo 29 proceeds are to be received in January 2013.

SIX-MONTH OUTLOOK

- Continue necessary preparatory work ahead of drilling as many as five new wells in 2013
- Progress Galoc Phase II execution activities toward first oil in 2H 2013
- Obtain joint venture approval for the northern Galoc exploration program - exploration well to be drilled immediately following Galoc Phase II development drilling program in 2H 2013
- Secure key contracts for drilling Duhat-2 exploration well, onshore Leyte in mid-2013
- Work with SC55 Operator, BHP Billiton to deliver the Cinco-1 well, offshore Palawan
- Enter into Year 2 under Tanzanian Production Sharing Agreements and commence preparation for 2D seismic program during 2013, subject to joint venture approval.
- Complete technical evaluation of new 3D covered prospects in SC69, offshore Visayas
- Awards due from new Philippines licensing round – Otto has bid on two contract areas

PRODUCTION AND DEVELOPMENT ASSETS**SERVICE CONTRACT 14C – GALOC OIL FIELD**

Location: Palawan Basin, Philippines
Area: 163 km²
Otto's Interest: 33% - Operator Otto Energy Group

Production

Production operations continued through the previous quarter without significant interruption despite severe weather conditions associated with Typhoon Bopha. The FPSO has continued to deliver increased reliability and uptime since its upgrade in 1Q 2012, with the December quarter delivering over 99% uptime.

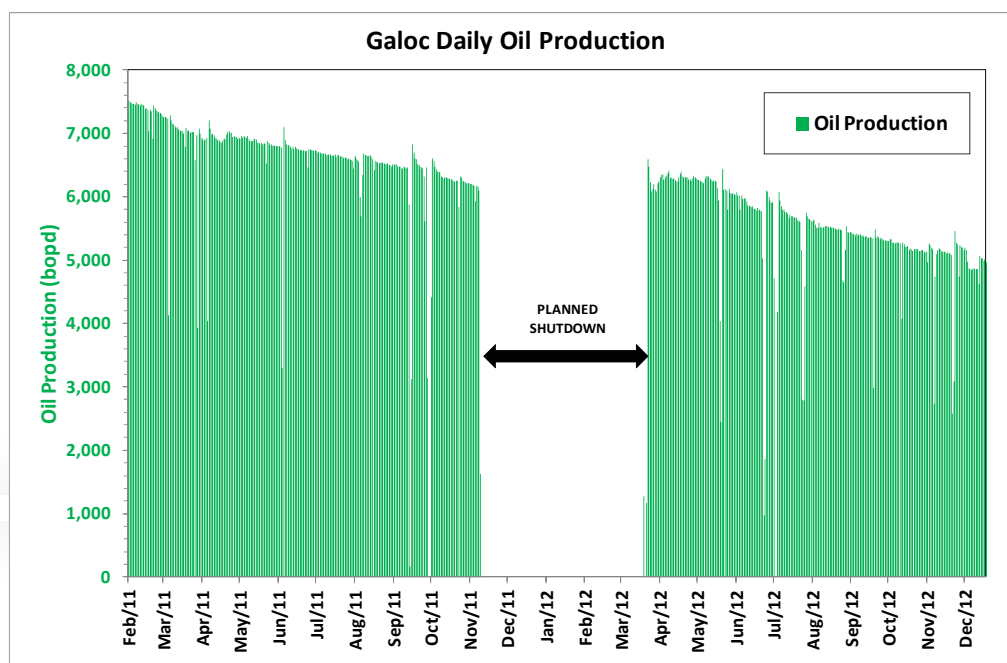
Production averaged 5,044 bbls per day during the quarter. Natural field decline remains in line with reservoir modelling expectations.

Cargo 28 offtake was delivered on 17 October 2012 with 353,463 bbls sold into a South Korean refinery with pricing at US\$113.47 per bbl.

Cargo 29 offtake was delivered on 29 December 2012 with 351,835 bbls sold into a South Korean refinery with pricing determined. Proceeds will be received in January 2013 and will be reflected in the 1Q 2013 revenue and cash results.

Production and Financial

	Production (bbls)		Liftings (bbls)		Uptime %
	Gross	Net	Gross	Net	
1 st Qtr 2012	-	-	-	-	-
2 nd Qtr 2012	534,405	176,354	325,546	107,430	99
3 rd Qtr 2012	483,807	159,656	370,058	122,119	97
4 th Qtr 2012	464,051	153,137	705,298	232,806	99



PRODUCTION AND DEVELOPMENT ASSETS (CONTINUED)**SERVICE CONTRACT 14C – GALOC OIL FIELD (CONTINUED)****Galoc Phase II**

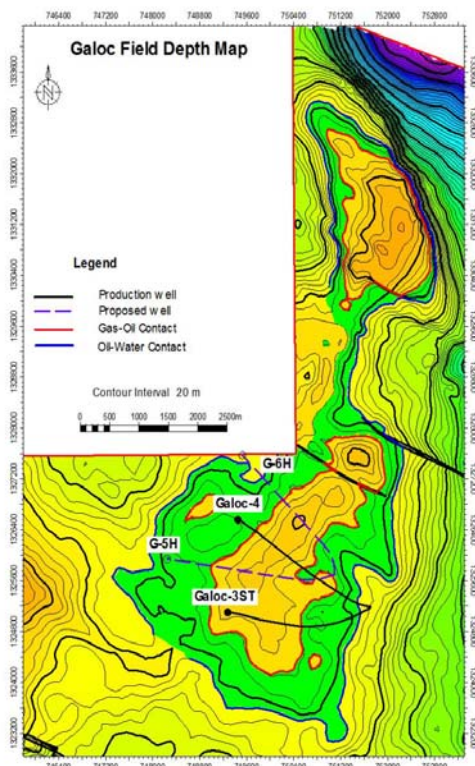
The Final Investment Decision (FID) for the Galoc Phase II development was approved by the joint venture in September 2012. Otto's share of the development costs is US\$62m. The development involves drilling and completion of two subsea wells tied into the existing infrastructure and is targeting increasing production from the current 5,000 BOPD to more than 12,000 BOPD with first oil scheduled for 2H 2013.

The drilling rig "Ocean Patriot" has been secured from Diamond Offshore to undertake the development drilling program and an option has also been secured for an additional well in the northern area of the Galoc block.

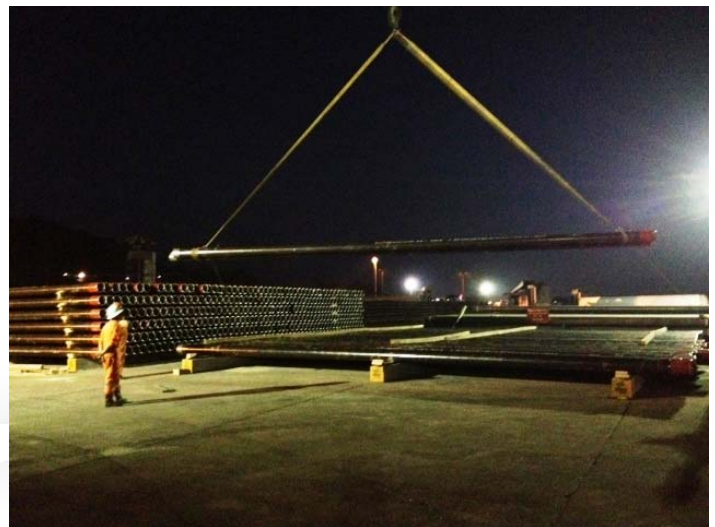
Otto will fund its share of the development costs from a combination of cash, ongoing production revenue and a project finance debt facility secured with BNP Paribas.

Developments since the FID was taken include:

- Contracts awarded for key service providers including:
 - o Drilling Rig Ocean Patriot - Diamond Offshore (Australia) LLC;
 - o Offshore Construction Skandia Hercules - DOF Subsea Asia Pacific Pte Ltd; and
 - o Subsea Wellheads & Trees - Dril-Quip Asia Pacific Pte Ltd.
- Key equipment has started to arrive in forward operating bases in Southeast Asia ahead of mobilisation and transfer to the Galoc field.
- Expected mobilisation of the drilling rig is Q2 2013.
- 3D seismic interpretation finalised and subsequent completion of Galoc-5 and Galoc-6 well designs.
- Proposal issued to the Galoc joint venture partners for an exploration well in the northern field area currently awaiting joint venture approval.
- Forecast costs remain unchanged from the 1st August 2012 FID budget.
- First oil from the Galoc Phase II project remains on track for 2H 2013 as advised at FID.



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



9-5/8" casing arriving in Batangas, Philippines

EXPLORATION ASSETS**SERVICE CONTRACT 55**

Location: Offshore Palawan, Philippines
Area: 9,880 km²
Otto's Interest: 33.18% - Operator BHP Billiton

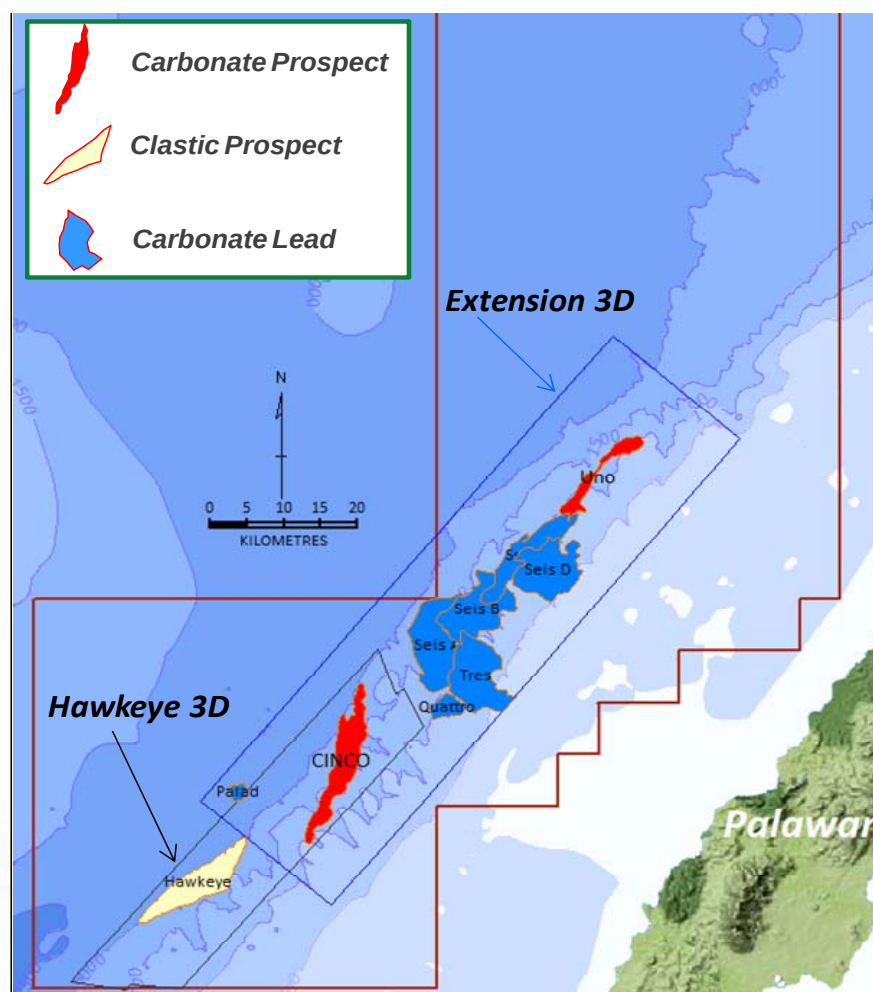
The SC55 joint venture is currently preparing for the drilling of the Cinco-1 exploration well.

BHP Billiton is currently sourcing an appropriate ultra deepwater rig with specialised well control equipment that will promote safe drilling operations on the proposed Cinco prospect. Availability of this type of rig 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 km² 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 km²
Otto's Interest: 80% - Operator Otto Energy Group

Onshore 2D Seismic Program

The acquisition program consisting of 150 km of new 2D seismic data was completed during the quarter. The new seismic supports a success case mean resource of 23 million barrels and potential upside of 59 million barrels (gross volumes).

The seismic will also support optimisation of the final drilling location for the Duhat-2 well, improve understanding of the pressure regime in the area and help with the selection of a rig capable of drilling to the primary reservoir target.

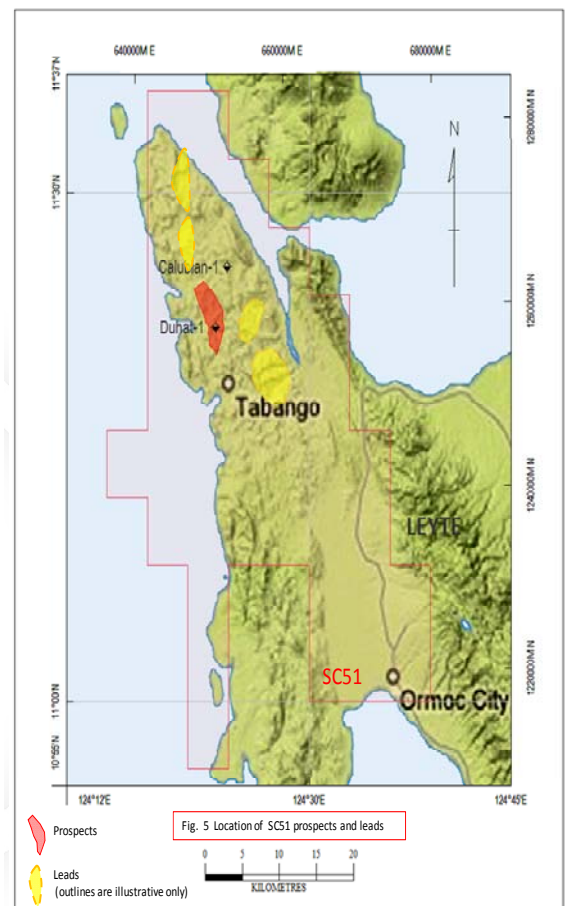
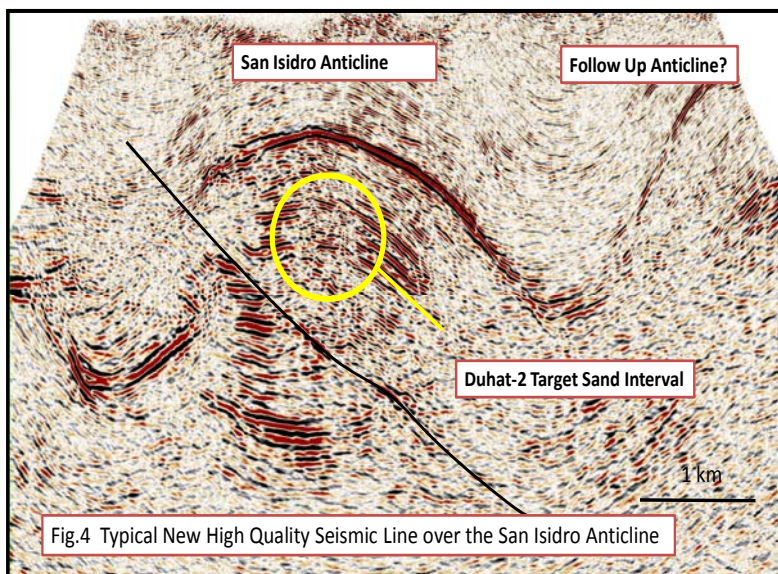
Early analysis of the new seismic data has also identified a number of follow up prospects which can be quickly matured to drillable status in the event of success in the first well.

The original Duhat-1 well was drilled in 2011 to test the San Isidro anticline. Mechanical limitations of the rig equipment led to a decision to abandon the well at only 350m.

This meant that the well could not penetrate the reservoir intervals prognosed to lie in the deeper sections of the well at 500-800metres. However during drilling at Duhat-1, oil and gas indications were observed and during acquisition of the recent seismic data, oil seeps were encountered in exploration shot holes.

All of this evidence demonstrates that Leyte and in particular the San Isidro area contains an active petroleum system. New seismic data has confirmed the presence of a large anticline with the potential to host a significant oil and/or gas accumulation. With the penetration of a thick sealing interval at Duhat-1 and reservoir in the Calubian-1 well all the elements exist for a potential major hydrocarbon discovery on Leyte.

Otto is progressing activities to secure a rig for Duhat-2 with a target spud date around mid-2013.



EXPLORATION ASSETS (CONTINUED)

SERVICE CONTRACT 69

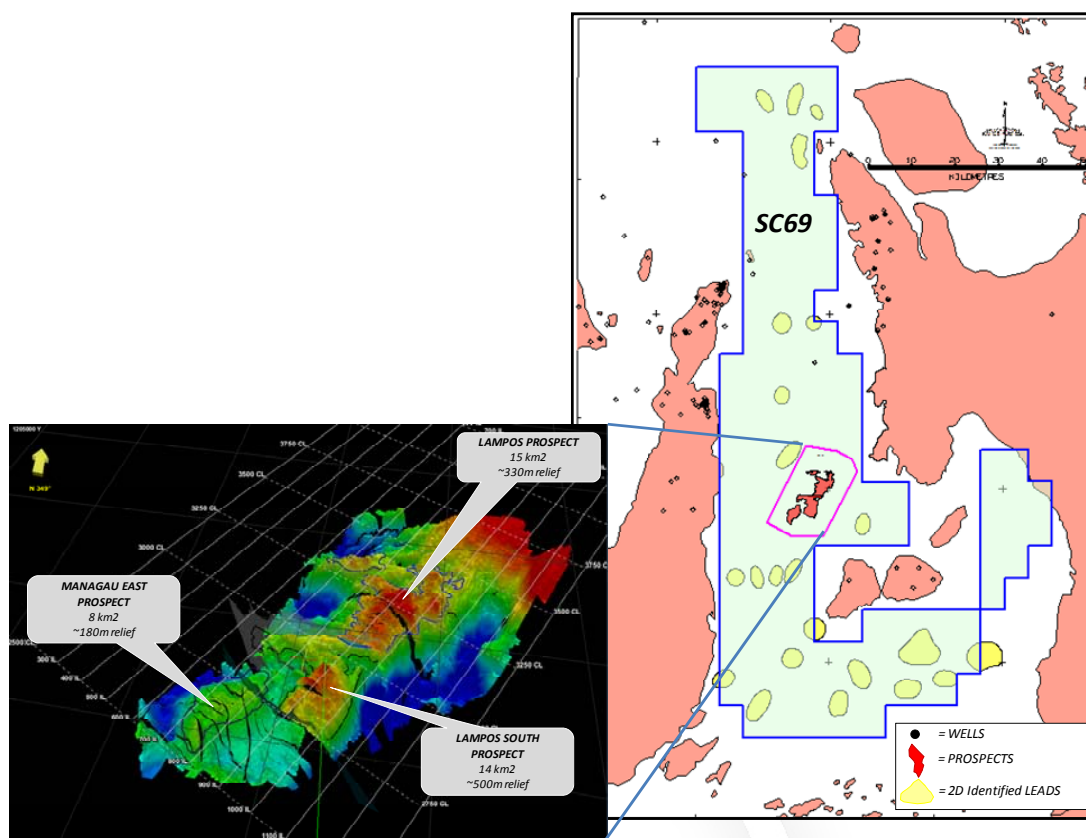
Location: Offshore Visayas, Philippines
Area: 5,280 km²
Otto's Interest: 79% - Operator Otto Energy Group

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

A nine-month extension to the present permit term was granted by the Philippines Department of Energy to allow sufficient time to complete detailed technical evaluation of the prospects and allow 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 program 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



Service Contract 69 3D mapped prospects

EXPLORATION ASSETS (CONTINUED)**KILOSA-KILOMBERO AND PANGANI**

Location: Onshore, Tanzania
Area: ~34,000 km²
Otto's Interest: 50% - Operator Swala Oil and Gas (Tanzania) Ltd

These Production Sharing Agreements were awarded by the Government of the United Republic of Tanzania on 20 February 2012. The interests are held by Otto subsidiary, Otto Energy (Tanzania) Pty Ltd.

The overall Kilosa-Kilombero and Pangani acreage covers a gross area of almost 34,000 km². The acquisition of the two exploration licence areas 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 exploration licence areas has included analysis of legacy gravity and magnetic data in the area and more significantly, the successful acquisition of new airborne gravity and magnetic information. This information has been combined with detailed field work and confirms the presence of a significant sedimentary basin at Kilosa-Kilombero and the possibility of a significant sedimentary basin at Pangani.

The Joint Venture is currently reviewing a recommendation to enter the second year of the contract term and undertake a 2D seismic program in both exploration licence areas.

Results of the seismic program will be available prior to the end of 2013 when the Joint Venture will decide on commitment to a firm well in both exploration licence areas. Such a phased approach to exploration has allowed commitment of funds to be closely aligned with emerging prospectivity.



CORPORATE**CASH OUTFLOWS**

Otto's free cash reserve at the end of the quarter was US\$19.289 million (September: US\$25.974 million).

At 31 December 2012, Cargo 29 had been lifted with proceeds to be received in January 2013.

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

	Mar 13 Qtr US\$m Forecast	Dec 12 Qtr US\$m Actual	Sep 12 Qtr US\$m Actual	Jun 12 Qtr US\$m Actual	Mar 12 Qtr US\$m Actual
Philippines					
SC 14C					
Production	5.78	4.79	5.04	5.74	3.79
Development	14.16	4.56	6.82	1.21	4.36
SC 51	0.17	2.73	1.26	1.45	0.09
SC 55	0.11	-	-	-	-
SC 69	0.14	-	0.01	0.51	-
Tanzania	-	0.04	0.01	0.37	
Business Development	-	-	0.27	-	
Administration	2.34	2.38	1.11	1.25	2.29
Total	22.70	14.50	14.52	10.53	10.53

CORPORATE (CONTINUED)**SHAREHOLDERS**

Otto's issued capital as at 31 December 2012:

	Number
Fully paid ordinary shares	1,138,290,071
Unlisted Options ¹	28,250,000
Performance Rights	27,000,000

¹ Exercisable between 12 and 13.25 cents per share with expiration dates from January 2013 to January 2015.

Otto's Top 20 Holders as at 7 January 2013:

TOP 20 SHAREHOLDERS AS AT 7 JANUARY 2013

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	NATIONAL NOMINEES LIMITED	30,703,109	2.70%
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	26,703,107	2.35%
6	J P MORGAN NOMINEES AUSTRALIA LIMITED	19,244,407	1.69%
7	JOHN JETTER (CONSOLIDATED RELEVANT INTEREST)	19,089,175	1.68%
8	CITICORP NOMINEES PTY LIMITED	18,744,878	1.65%
9	RICK CRABB (CONSOLIDATED RELEVANT INTEREST)	17,495,052	1.54%
10	ESCOT INVESTMENTS PTY LTD	15,915,000	1.40%
11	CITICORP NOMINEES PTY LIMITED <CWLTH BANK OFF SUPER A/C>	12,801,550	1.12%
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>	7,807,401	0.69%
16	MIDDLE EAST PETROLEUM SERVICES LTD	5,634,402	0.49%
17	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,202,509	0.72%
18	DALY FINANCE CORP	3,934,722	0.35%
19	FORSYTH BARR CUSTODIANS LTD <FORSYTH BARR LTD-NOMINEE A/C>	5,605,019	0.49%
20	MR DAVID KENNETH ANDERSON & MRS CHARMAYNE ANDERSON	5,000,000	0.44%
TOTAL TOP 20 SHAREHOLDERS		795,708,713	69.90%
TOTAL REMAINING SHAREHOLDERS		342,581,358	30.10%
TOTAL SHARES ON ISSUE		1,138,290,071	100.0%

OTTO AT A GLANCE

- ASX-listed Oil and Gas Company with assets in Southeast 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

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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 of this statement.

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")

31 December 2012

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$US'000	Year to date (6 months) \$US'000
1.1	Receipts from product sales and related debtors	12,259	24,816
1.2	Payments for		
	(a) exploration & evaluation	(2,773)	(4,050)
	(b) development	(4,559)	(11,377)
	(c) production	(4,789)	(9,825)
	(d) administration	(2,381)	(3,494)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	11	15
1.5	Interest and other costs of finance paid	(4)	(6)
1.6	Income taxes paid	(3,081)	(2,604)
1.7	Other (Farm In Contribution)	-	-
	Net Operating Cash Flows	(5,317)	(6,525)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	(1,063)	(2,463)
	(b) equity investments	-	-
	(c) other fixed assets	(305)	(438)
1.9	Proceeds from sale of:		
	(a) prospects	-	390
	(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)	-	-
	Net investing cash flows	(1,368)	(2,511)
1.13	Total operating and investing cash flows (carried forward)	(6,685)	(9,036)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(6,685)	(9,036)
	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	(6,685)	(9,036)
1.2	Cash at beginning of quarter/year to date	25,974	28,325
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	19,289	19,289

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	116
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 116

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	413
4.2 Development	14,160
4.3 Production	5,775
4.4 Administration	2,354
Total	22,702

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	15,085	21,979
5.2 Deposits at call	3,975	3,975
5.3 Bank overdraft	-	-
5.4 Other (Term Deposit)	229	20
Total: cash at end of quarter (item 1.22)	19,289	25,974

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 <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	Nil	Nil	Nil	Nil
		Nil	Nil		
7.5	+Convertible debt securities <i>(description)</i>	Nil	Nil		
7.6	Options <i>(description and conversion factor)</i>	28,250,000 Unlisted Options	Nil	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
				9,000,000 Exercise Price \$0.12	On or before 26 November 2013
				6,000,000 Exercise Price \$0.12	On or before 30 November 2013
				1,250,000 Exercise Price \$0.12	On or before 13 October 2012
				2,500,000 Exercise Price \$0.12	On or before 5 January 2015

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.6	Options <i>(description and conversion factor)</i>	27,000,000 Unlisted Performance Rights	Nil	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 <i>(totals only)</i>	Nil	Nil	Nil	Nil
7.12	Unsecured notes <i>(totals only)</i>	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
16 January 2013

+ 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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