Quarterly REPORT

OTTO ENERGY

THREE MONTHS ENDED 30 SEPTEMBER 2013

www.ottoenergy.com

QUARTERLY HIGHLIGHTS

Corporate:

- Closing cash position of US$19.843 million and remaining debt available of US$11.225 million.
- Regular oil cargo liftings including Cargo 33 lifting (scheduled for November 2013) to fund forthcoming exploration, development and production activities.

Production:

- Galoc production averaged 3,511 BOPD during the quarter after planned shutdown for Phase II upgrades; revenue of US$12.897 million from oil sales realised.

Development:

- Galoc Phase II project significantly de-risked with G-5H and G-6H wells successfully drilled to final depth and were in the process of having upper completions installed prior to well clean-up flow operations.
- First oil on schedule for November 2013: Forecast costs of US$204 million (100% JV basis) within 10% of August 2012 FID budget.

Exploration:

- Tanzania - 260 km of new 2D seismic data acquired over two basin areas within the Kilosa-Kilombero permit. Further seismic acquisition is ongoing.
- Philippines - Formal written endorsement of key approval for SC55 being finalised between the PCSD, BHPB and the Philippines Department of Energy (DOE).
- Philippines - Duhat-2 well drilled to approximately 200 meters and subsequently plugged and abandoned after encountering high pressure water at high flow rates.

PRODUCTION & FINANCIAL SUMMARY

		Sept 2013 Quarter	June 2013 Quarter	Change %
Production (net to Otto)	bbl	106,582	136,823	(22.10%)
Liftings (net to Otto)	bbl	124,630	112,325	10.95%
Revenue	US$m	12.897	23.615	(45.39)%
Closing Cash Position	US$m	19.843	31.854	37.71%
Expenditure	US$m	32.20	29.45	9.34%

SIX-MONTH OUTLOOK

- Complete Galoc Phase II drilling and installation activities with first oil production scheduled in November 2013.
- Complete acquisition of 500 line km 2D seismic program in Tanzania during Q4 2013.
- Work with SC55 Operator, BHP Billiton, to deliver the Cinco-1 well, offshore Palawan.

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PRODUCTION AND DEVELOPMENT ASSETS

SERVICE CONTRACT 14C – GALOC OIL FIELD

Location: Palawan Basin, Philippines
Area: 163 km^2
Otto's Interest: 33% - Operator Otto Energy Group

Production

Production operations continued through the quarter. The FPSO has continued to operate reliability since its upgrade in Q1 2012.

A planned shutdown was successfully completed after Cargo 32 to allow safe installation of Phase II equipment upgrades.

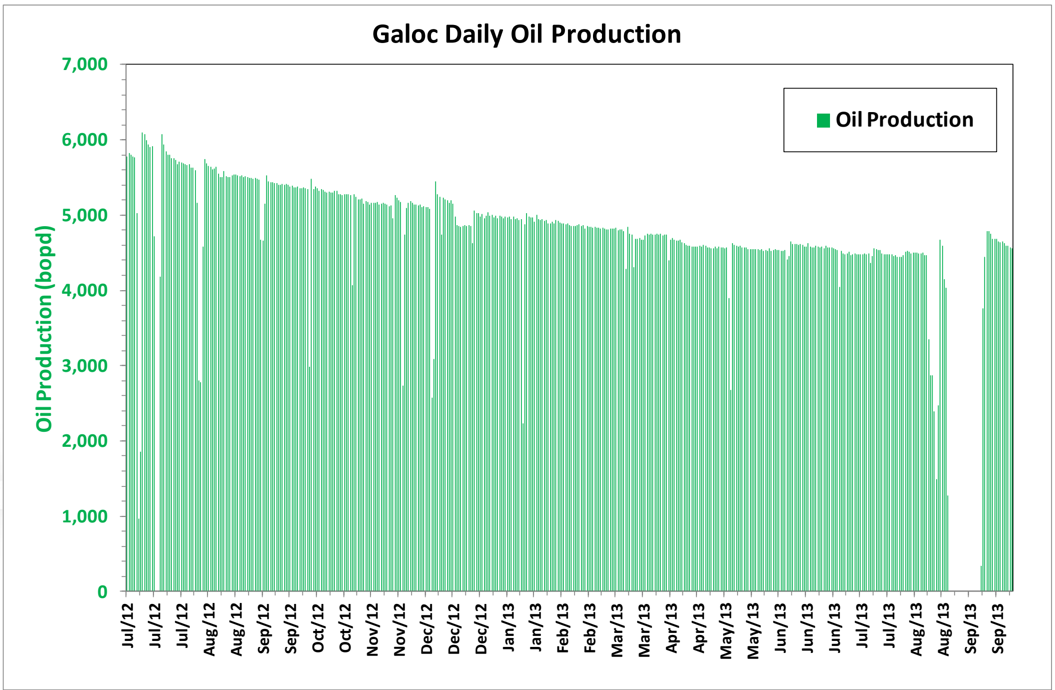
Production averaged 3,511 bbls per day during the quarter. Natural field decline remains in line with reservoir modelling expectations. At the end of the quarter, the field was producing approximately 4,550 bbls per day.

Cargo 32 offtake was delivered on 24 August 2013 with 377,668 bbls sold into a South Korean refinery with pricing at US$111.568 per bbl.

Cargo 33 offtake has been sold and is scheduled for delivery in late November 2013.

	Production (bbls)		Liftings (bbls)		Uptime % *
	Gross	Net	Gross	Net	
4th Qtr 2012	464,051	153,137	705,298	232,806	99
1st Qtr 2013	434,801	143,484	365,621	120,655	100
2nd Qtr 2013	414,614	136,823	340,379	112,325	100
3rd Qtr 2013	322,977	106,582	377,668	124,630	99

* Excludes planned downtime for FPSO upgrades



PRODUCTION AND DEVELOPMENT ASSETS (CONTINUED)

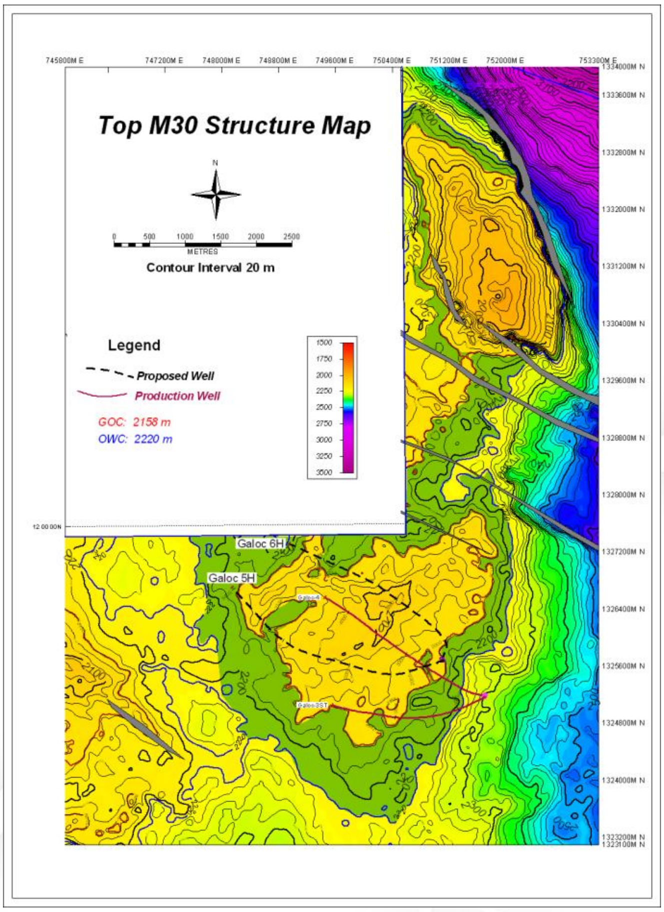
SERVICE CONTRACT 14C – GALOC OIL FIELD (CONTINUED)

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$68 million. The development involves drilling and completion of two subsea wells tied into the existing infrastructure and is targeting increased production from the current 4,500 BOPD to more than 12,000 BOPD with first oil scheduled for November 2013.

The drilling rig "Ocean Patriot" commenced drilling the G-5H and G-6H wells on 4 June 2013 and as at 30 September 2013 both wells have been drilled to final depth and are in the process of running upper completions and subsequent well clean-up flow operations.

Otto is funding its share of the development costs from a combination of cash, ongoing production revenue and a project finance debt facility secured with BNP Paribas, with a facility limit of US$36.5 million.



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

Developments since the FID was taken include:

- Both Galoc-5H and Galoc-6H completed drilling activities.
- All key equipment deliveries remain on schedule.
- Installation vessel commenced mobilisation to the field area.
- Forecast costs of US$204 million (JV basis) within 10% of 1st August 2012 FID budget.
- First oil from the Galoc Phase II project remains on schedule for November 2013.

FPSO Rubicon Intrepid, MODU Ocean Patriot and Tug Pacific Battler in Galoc Oil Field, June 2013

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EXPLORATION ASSETS

SERVICE CONTRACT 55

Location: Offshore Palawan, Philippines
Area: 9,880 km^2
Otto's Interest: 33.18% - Operator BHP Billiton

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

The SC55 Operator, BHP Billiton Petroleum (Philippines) Corporation (BHPB), and joint venture partners are focused on delivering the Cinco-1 well in SC55 in accordance with the contractual work programme commitments to the Philippines Department of Energy.

The declaration of force majeure comes amid delays in receiving the Strategic Environmental Plan Clearance ("SEP Clearance") for SC55 from the Palawan Provincial Council for Sustainable Development ("PCSD"), as detailed in Otto's previous ASX announcement dated 13th April 2013. The SEP Clearance would ordinarily have been expected to be received in September 2012 and the notice of force majeure seeks a suspension of permit obligations from this date until the receipt of the SEP Clearance.

The effect of issuing the notice of force majeure is to suspend the obligations under the current Fourth Sub-Phase of SC55, including the drilling of the Cinco-1 well, and to preserve the remaining time under the exploration period of SC55 until the SEP Clearance is received.

Otto has been notified that the PCSD has approved the issuance of the SEP Clearance in relation to drilling of the Cinco-1 exploration well in SC55.

Formal written endorsement is being finalised between the PCSD, BHPB and the Philippines Department of Energy (DOE).

The SC55 joint venture will seek confirmation from the DOE of the revised work program timing following the suspension due to Force Majeure.

Following receipt of the SEP Clearance, BHPB will subsequently finalise securing an appropriate deepwater drilling rig in order to undertake drilling of the Cinco-1 well.

The SC55 Operator, and joint venture partners, remain committed to delivering the Cinco-1 well in SC55 in accordance with the contractual work programme commitments to the Philippine Department of Energy.

A robust, diverse and extensive portfolio of exploration prospects and leads has emerged from the recent analysis of more than 2,400 km^2 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.

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EXPLORATION ASSETS (CONTINUED)

SERVICE CONTRACT 51

Location: Onshore Leyte, Philippines
Area: 1,660 km^2
Otto's Interest: 80% - Operator Otto Energy Group

Duhat-2 Exploration Well

Otto contracted the Desco "Rig 30" land based rig to undertake the drilling of the Duhat-2 well during Q3 2013. On 25 July 2013, Desco Rig 30 was drilling ahead at approximately 200 meters when the well started to flow high pressure water at high flow rates. Given the shallow nature of the well this flow was contained by diversion to a series of lined surface pits at the well site.

Upon analysis, the flow was comprised of brackish water with very low trace gas readings. Standard industry safety practice was followed to shut-in the well using heavy weight mud and the onsite drilling team implemented these procedures immediately.

The flow of water from a highly permeable interval was initially stopped using heavy weight mud. Over the intervening period further intermittent flow occurred until the well was finally stopped and a cement plug emplaced on 26 July.

Otto advised that there have been no injuries to any personnel and no identified impacts on the local environment as a result of the flow of water from the well.

Prior to continuing to drill at Duhat, Otto reviewed the flow and pressure information obtained during this early drilling phase. A decision was made to permanently plug and abandon the well at 200 metres. This was primarily a safety based decision as the identified risks of drilling ahead in this location have been deemed unacceptable, a decision supported by the Department of Energy.

The presence of this high pressure, water bearing, permeable section was not seen at a similar depth in the Duhat-1 well located only 440 metres away. Seismic data through both the Duhat-1 and Duhat-2 wells provided no warning of the presence of this overpressure interval. Accordingly, this significant new information will be reviewed in detail and will be considered in any future decisions regarding forward work programmes on SC51.

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EXPLORATION ASSETS (CONTINUED)

SERVICE CONTRACT 73

Location:	Offshore Mindoro-Cuyo, Philippines
Area:	8,440 km^2
Otto's Interest:	100% - Operator Otto Energy Group

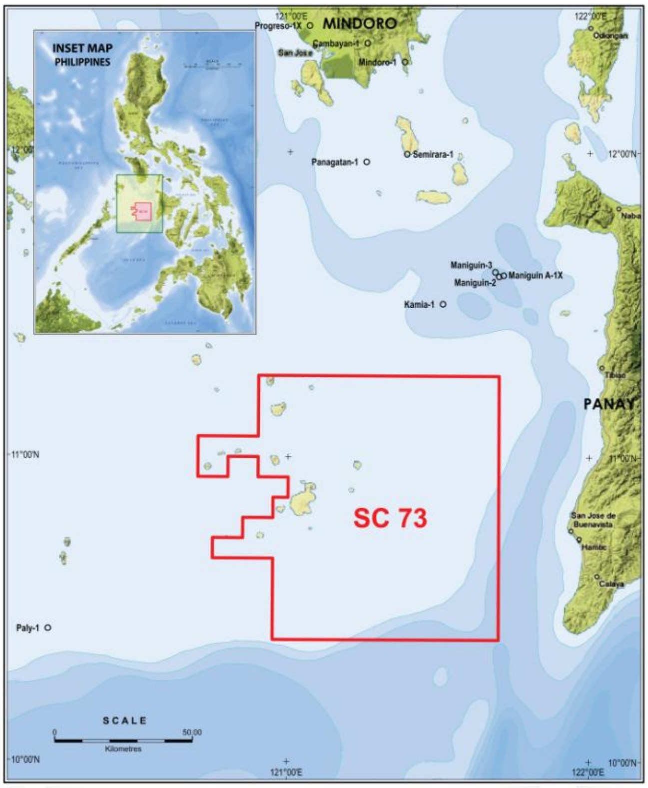
Otto Energy, was awarded Service Contract 73 under the Fourth Philippine Energy Contracting Round in September 2013.

Otto has committed to reprocessing the existing seismic study with a minimum financial commitment of US$0.5 million within an initial period of 18 months.

Service Contract 73 is an offshore block located in the southern part of the Mindoro Basin – Cuyo Platform, a continental rift basin located offshore the Philippines. It covers around 8,440 km^2 with water depths ranging from 100 metres to 1,300 metres. There is an existing 2D seismic data set of over 3,000 kilometres covering the block.

The petroleum play types identified in Service Contract 73 are reef build-ups, fault blocks and anticlines. The reservoir intervals are Early Miocene to Pliocene carbonates and Early to Late Miocene carbonates and clastics. Source rocks are coaly and organic-rich claystones of Eocene to Middle Miocene. Middle Miocene carbonates and clastics provide the seal for the system.

Oil has been discovered with an Extended Production Test conducted in 1994 at the Maniguin wells near the block. The occurrence of oil seepages in the Mindoro Island region also confirms the presence of an active petroleum system in the area.



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EXPLORATION ASSETS (CONTINUED)

KILOSA-KILOMBERO AND PANGANI

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

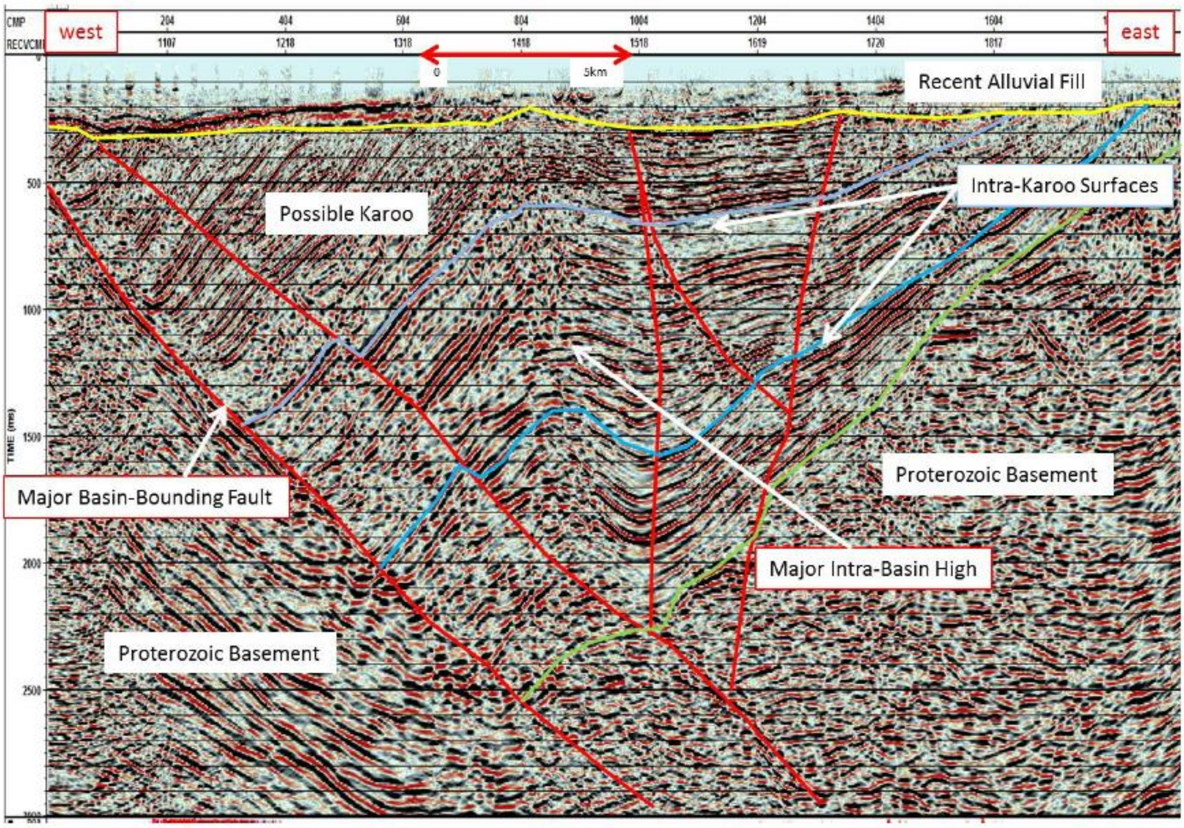
The Production Sharing Agreements were awarded by the Government of the United Republic of Tanzania on 20 February 2012. The interests are held by Otto subsidiary, Otto Energy (Tanzania) Pty Ltd.

The overall Kilosa-Kilombero and Pangani acreage covers a gross area of almost 34,000 km^2. 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 has entered the second year of the contract term and by September 30th some 260 km of new seismic data had been acquired over two basin areas within the Kilosa-Kilombero permit. Further seismic acquisition is ongoing within this block and this will be followed by a series of new lines in the Pangani PSA.

Results of the seismic program will be fully reviewed before the Joint Venture decide on commitment to a firm well in both exploration licence areas. This 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$19.843 million (June: US$31.854 million).

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

	Dec 13 Qtr US$m Forecast	Sep 13 Qtr US$m Actual	Jun 13 Qtr US$m Actual	Mar 13 Qtr US$m Actual	Dec 12 Qtr US$m Actual
Philippines					
SC 14C					
Production	6.73	4.98	6.84	2.95	4.79
Development [1]	17.20	21.97	20.04	1.65	4.56
SC 51	1.53	3.24	1.13	0.50	2.73
SC 55	-	-	-	-	-
SC 69	-	-	-	-	-
Tanzania	3.33	1.32	0.54	0.47	0.04
Business Development	-	-	-	-	-
Administration	1.51	0.69	0.90	1.55	2.63
Total	**30.30**	**32.2**	**29.45**	**7.12**	**14.75**

(1) Consists mainly of SC14C Galoc Phase II Development Expenditure:

	US$m
Cumulative to date (FID to 30 September 2013)	50.16
Forecast expenditure:	
• Dec 2013 quarter	17.20
Total Forecast Cost	**67.36**

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CORPORATE (CONTINUED)

SHAREHOLDERS

Otto's issued capital as at 30 September 2013:

	Number
Fully paid ordinary shares	1,140,290,071
Unlisted Options[1]	18,750,000
Performance Rights	39,500,000

[1] *Exercisable between 12 and 12.5 cents per share with expiration dates from November 2013 to January 2015.*

Otto's Top 20 Holders as at 30 September 2013:

TOP 20 SHAREHOLDERS AS AT 30 SEPTEMBER 2013

Rank	Name	Units	% of Units
1	MOLTON HOLDINGS LTD	241,910,757	21.21%
2	SANTO HOLDING AG	241,910,757	21.21%
3	ACORN CAPITAL LIMITED	86,717,074	7.60%
4	CITICORP NOMINEES PTY LIMITED	26,846,274	2.35%
5	NATIONAL NOMINEES LIMITED	22,133,797	1.94%
6	JOHN JETTER (CONSOLIDATED RELEVANT INTEREST)	19,089,175	1.67%
7	RICK CRABB (CONSOLIDATED RELEVANT INTEREST)	17,495,052	1.53%
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	17,157,744	1.50%
9	J P MORGAN NOMINEES AUSTRALIA LIMITED	16,639,118	1.46%
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	16,305,051	1.43%
11	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	14,020,833	1.23%
12	CITICORP NOMINEES PTY LIMITED <CWLTH BANK OFF SUPER A/C>	12,801,550	1.12%
13	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	10,866,006	0.95%
14	NAVIGATOR AUSTRALIA LTD	8,946,695	0.78%
15	ESCOR INVESTMENTS PTY LTD	8,915,000	0.78%
16	ESCOT FINANCE LTD	8,150,000	0.71%
17	FORSYTH BARR CUSTODIANS LTD <FORSYTH BARR LTD-NOMINEE A/C>	7,323,294	0.64%
18	MR BRIAN LESLEIGH WILLIAMS & MRS VALERIE RUBY DAWN WILLIAMS	6,000,000	0.53%
19	MIDDLE EAST PETROLEUM SERVICES LTD	5,166,304	0.45%
20	IAN MACLIVER (CONSOLIDATED RELEVANT INTEREST)	4,549,721	0.40%
TOTAL TOP 20 SHAREHOLDERS		**792,944,202**	**69.54%**
TOTAL REMAINING SHAREHOLDERS		347,345,869	30.46%
TOTAL SHARES ON ISSUE		**1,140,290,071**	**100.0%**

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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 producing Galoc Oil Field, which is currently being expanded in the Phase II development
- 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 15 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.

Rule 5.5

Appendix 5B

Mining exploration entity and oil and gas 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, 01/05/2013

Name of entity

Otto Energy Ltd

ABN	Quarter ended ("current quarter")
56 107 555 046	30 September 2013

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $US'000	Year to date (3 months) $US'000
1.1	Receipts from product sales and related debtors	12,897	12,897
1.2	Payments for		
	(a) exploration & evaluation	(4,551)	(4,551)
	(b) development	(21,969)	(21,969)
	(c) production	(4,975)	(4,975)
	(d) administration	(685)	(685)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	6	6
1.5	Interest and other costs of finance paid	(933)	(933)
1.6	Income taxes paid	-	-
1.7	Other	589	589
	Net Operating Cash Flows	(19,621)	(19,621)
	Cash flows related to investing activities		
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(121)	(121)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	2	2
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	(575)	(575)
	Net investing cash flows	(694)	(694)
1.13	Total operating and investing cash flows (carried forward)	(20,315)	(20,315)

1.13	Total operating and investing cash flows (brought forward)	(20,315)	(20,315)
	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	8,319	8,319
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	8,319	8,319
	Net increase (decrease) in cash held	(11,996)	(11,996)
1.20	Cash at beginning of quarter/year to date	31,854	31,854
1.21	Exchange rate adjustments to item 1.20	(15)	(15)
1.22	**Cash at end of quarter**	19,843	19,843

Payments to directors of the entity, associates of the directors, 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	118
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 118

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	36,484	25,259
3.2	Credit standby arrangements	-	-

Estimated cash outflows for next quarter

		$US'000
4.1	Exploration and evaluation	4,859
4.2	Development	17,197
4.3	Production	6,726
4.4	Administration	1,518
	Total	**30,300**

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	19,843	31,834
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (Term Deposit)	-	20
	Total: cash at end of quarter (item 1.22)	19,843	31,854

Changes in interests in mining tenements and petroleum tenements

		Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed				
6.2	Interests in mining tenements and petroleum tenements acquired or increased	SC73, Philippines	Service Contract Area	0%	100%

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)

+ See chapter 19 for defined terms.

7.1	**Preference +securities** *(description)*	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**	1,140,290,071	1,140,290,071		
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		
7.7	**Options** *(description and conversion factor)*	18,750,000 Unlisted Options	Nil	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
		39,500,000 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
				2,000,000 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
				14,500,000 Performance Rights	On or before 1 April 2016
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)*				
7.12	**Unsecured notes** *(totals only)*				

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
23 October 2013

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 and petroleum 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 or petroleum 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* apply 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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