

Quarterly REPORT



THREE MONTHS ENDED 30 JUNE 2014

QUARTERLY HIGHLIGHTS

Corporate:

- Debt free following repayment of Galoc Phase II financing facility, with closing cash position of US\$7.735 million and Cargo 39 proceeds scheduled to be received in July 2014.
- Board is reviewing forward expenditure obligations and future capital management options.

Production:

- Galoc production averaged 8,387 bbls per day for the quarter
- Sales revenue of US\$21.676 million realised.
- Three cargos delivered during the quarter (Cargo 39 proceeds scheduled to be received in July 2014).
- Strong uptime again delivered from field operations enabling Otto to benefit from high oil prices.

Exploration:

- Tanzania – finalised preparation for 700 km 2D seismic, which is due to commence in late July.
- Philippines SC55 – DOE acknowledged revised timeline resulting from force majeure period in 2012/13.
- Philippines SC55 – Farm out process continuing; Otto is seeking to introduce a new partner into the joint venture to participate in drilling of the Hawkeye exploration well.

PRODUCTION & FINANCIAL SUMMARY

		Jun 2014 Quarter	Mar 2014 Quarter	Change %
Production (net to Otto)	bbl	251,864	272,303	(7.51%)
Liftings (net to Otto)	bbl	320,054	283,631	12.84%
Revenue	US\$m	21.676	28.814	(24.77%)
Closing Cash Position	US\$m	7.735	22.367	(65.42%)
Closing Debt Position	US\$m	-	24,491	(100%)
Expenditure	US\$m	8.93	13.20	(32.35%)

SIX-MONTH OUTLOOK

- Maintain safe and reliable production from the Galoc field.
- Deliver significant revenue stream through regular Galoc cargo offtakes.
- Commence 700 km 2D seismic acquisition in Tanzania and plan for drilling in 2015.
- Continue farm-out campaign for SC55 prior to drilling the Hawkeye exploration well.
- Evaluate further exploration, appraisal and incremental development opportunities at the Galoc field.
- Focus on business growth in East Africa region along the prolific rift valley trend.

PRODUCTION 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 quarter following the successful completion of Galoc Phase II commissioning in December 2013.

Production averaged 8,387 bbls per day during the quarter. Production post Galoc Phase II commissioning is in line with pre-start-up expectations. Production tests continued through quarter to optimise production settings in the field. At the end of the quarter, the field was producing approximately 8,450 bbls per day.

Cargo 37 was lifted on 8 April 2014 with 321,014 bbls sold at US\$110 per bbl.

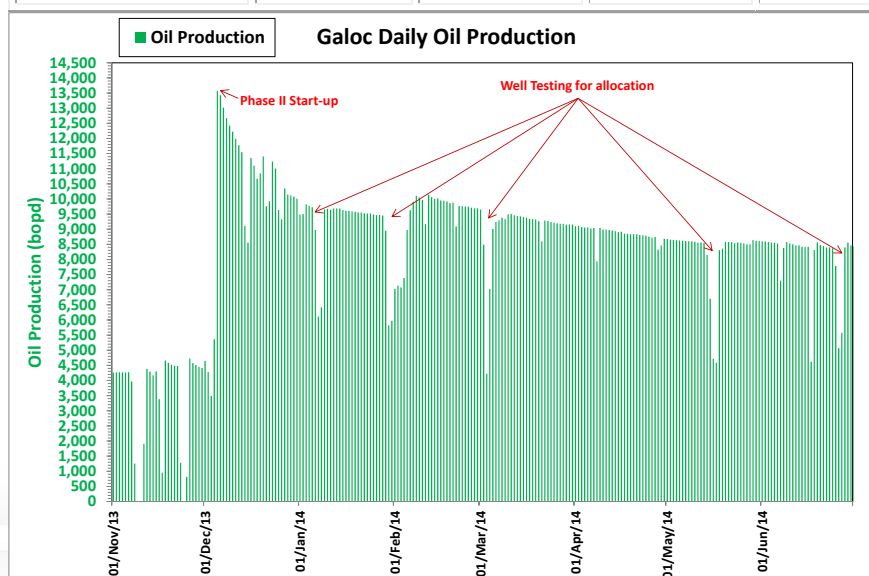
Cargo 38 was lifted on 14 May 2014 with 322,073 bbls sold at US\$110 per bbl.

Cargo 39 was lifted on 25 June 2014 with 326,775 bbls – proceeds scheduled to be received in July 2014.

Liftings were sold to South Korean and Thai refineries.

Cargo 40 is expected to be lifted in August 2014 and Cargo 41 is expected to be lifted in September 2014.

	Production (bbls)		Liftings (bbls)	
	Gross	Otto Net	Gross	Otto Net
3 rd Qtr 2013	322,977	106,582	377,668	124,630
4 th Qtr 2013	550,671	181,721	304,665	100,539
1 st Qtr 2014	825,162	272,303	859,488	283,631
2 nd Qtr 2014	763,225	251,864	969,862	320,054



EXPLORATION ASSETS**SERVICE CONTRACT 55**

Location:	Offshore Palawan, Philippines
Area:	9,880 km ²
Otto's Interest:	93.18% - Operator Otto Energy Group

Otto executed binding agreements with BHP Billiton Philippines Inc. (BHPBP) to terminate the farm-out agreement between the two parties in respect of Service Contract 55 (SC55), offshore the Philippines. Under the agreements, BHPBP re-assigned a 60% working interest to Otto, taking Otto's working interest to 93.18%. The reassignment was approved by the Philippines Department of Energy (DOE) on 14 March 2014.

The key terms of the agreements are:

- Otto re-assigned BHPBP's 60% working interest;
- BHPBP to pay US\$3.0m to Otto; and
- BHPBP will pay a further US\$24.5m to Otto upon drilling the first exploration well in SC55.

Otto has access to all 3D seismic data acquired in the permit to date and has resumed as operator. Otto has lodged a Sub-Phase 4 work program and budget with the DOE which includes the drilling of the Hawkeye-1 well.

Otto is several months into a farm-out process to introduce a new joint venture partner to participate in the drilling of the Hawkeye-1 exploration well. Otto is targeting suitably qualified partners with deepwater experience to join the exploration program and several suitable companies with SE Asia operations are undertaking technical due diligence reviews of the available data.

Otto is yet to receive any formal offers.

A number of companies have completed their technical review and elected not to put forward a farm-in offer.

Otto has commenced drilling planning preparations, including well design, planning studies and procurement reviews. Importantly, Otto has also invited expressions of interest from drilling rig owners to determine availability of drilling units to ensure Hawkeye-1 is drilled within the required timeframe.

SC55 contains a number of distinct exploration play types that provide material opportunities, including: the carbonate gas/condensate trend that has the potential for an oil charge; and turbidite clastic prospects.

The Hawkeye prospect was identified on 2D seismic originally acquired by Otto in 2007 and further defined with the 600 km² 3D seismic acquisition in late 2009. Hawkeye contains:

- 'Best Estimate' STOIP of ~ 480 MMbbl of oil; and
- 'Best Estimate' Net Prospective Resource of 89 MMbbl of oil.

The Cinco prospect was identified as part of the 2010 1,800 km² 3D seismic program undertaken by BHPBP that focused on a trend of carbonate prospects and leads. Cinco is analogous to the Malampaya producing gas/condensate field, which is located 400 kms north east of the permit. Cinco contains

- 'Best Estimate' GIIP of 2.4 Tcf; and
- 'Best Estimate' Net Prospective Resource of 1.3 Tcf of gas and 45 MMbbl of associated condensate (Condensate Gas Ratio 35 bbls/MMcf), assuming 93.18% working interest for Otto and excluding Government Share.

EXPLORATION ASSETS (CONTINUED)

KILOSA-KILOMBERO AND PANGANI

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

The Joint Venture has elected to enter Years 3 and 4 of the Pangani and Kilosa-Kilombero Production Sharing Agreements involving a commitment to drill one exploration well in each contract area before February 2016 and the acquisition of additional seismic data to allow optimal well positioning.

Kilosa-Kilombero Permit

A total of 123km of 2D seismic has been acquired over the Kilosa basin and a total of 137km of 2D seismic was acquired over the Kidatu basin. In the Kidatu basin, results indicate the presence of large-scale structures along the edges of the basin, together with a major intra-basin high identified on dip and strike lines. The structure may be as large as 30 to 60 square kilometres.

A total of 110km of 2D seismic was acquired over the Kilombero basin. Results suggest the presence of a Neogene-age basin with a maximum depth to basement in excess of 3,000m. The age of the sediments recorded (based on low seismic velocities) appears to be similar to that of sediments observed in the now proven oil basins of Lokichar (Kenya) and Lake Albert (Uganda), where Africa Oil (TSX.V:AOI) and Tullow Oil (LSE:TLE) have had significant success.

Dip lines across the basin suggest the presence of both structural traps and traps against the main basin-bounding fault with possible Direct Hydrocarbon Indicators (DHIs or 'Flat Spots') observed at several levels at the crest.

A program of up to 500 km of additional 2D seismic data will be acquired across the Kilombero basin during Q3 2014. The focus of the program will be:

1. To provide additional lines across the "Kito" prospect that may become a drillable target.
2. To cover other portions of the basin which from the initial 2013 seismic data and earlier remote sensing data have the potential to contain additional leads and prospects

In late 2013 Otto's partner Swala Oil & Gas (Tanzania) Plc announced results from a prospective resource assessment over the "Kito" prospect in the Kilosa-Kilombero Licence in Tanzania indicating:

- Net Prospective Resource of between 19.2 MMbbls and 169.6 MMbbls to Otto
- Best Estimate Prospective Resource of 60.4 MMbbls.

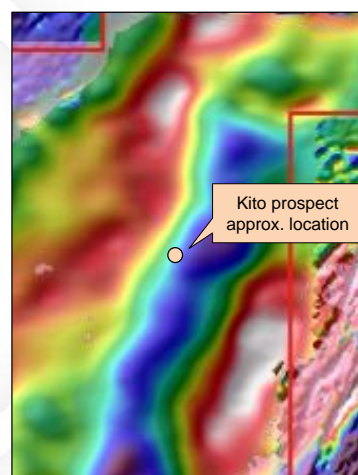
Pangani Permit

A total of 200 km of 2D seismic has been acquired over the Mvungwe and Moshi basins.

The results from the survey show that the Moshi basin in the north of the permit appears to be a basin with sedimentary fill of probable Neogene age. Further evidence from the seismic survey suggests that the basin is fault-bounded, some 25km wide, and with basin fill to between 2,000 and 3,000m depth.

A minimum of 200 km of additional seismic data will be acquired across the Moshi basin area during 2014. Acquisition of this new data is planned to commence in late July. The focus of the survey will be to better understand the geometry of the basin and firm up structures for drilling during 2015.

Tanzania Overview:



EXPLORATION ASSETS (CONTINUED)

SERVICE CONTRACT 73

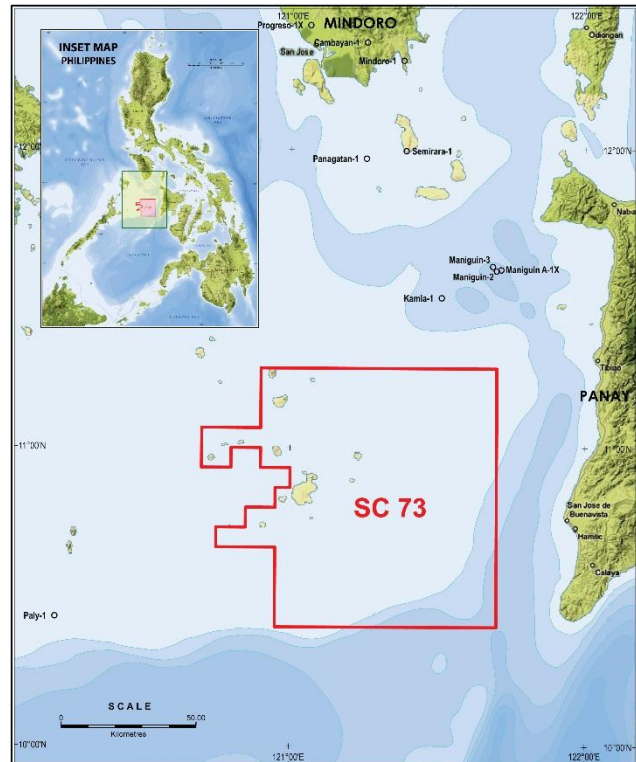
Location: Offshore Mindoro-Cuyo, Philippines
Area: 8,440 km²
Otto's Interest: 100% - Operator Otto Energy Group

Otto has commenced reprocessing of a focussed subset of existing seismic data in the block with a minimum financial commitment of US\$0.5 million over an initial period of 18 months.

Service Contract 73 is an offshore block located in the southern part of the Mindoro Basin – Cuyo Platform, an offshore continental rift basin. It covers 8,440 km² and water depths range from 100 to 1,300 metres. There is 3,000 kilometres of existing 2D seismic data within and adjacent to the block.

The petroleum play types in the permit include 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 was previously discovered and an Extended Production Test conducted in 1994 at the Maniguin wells, located 50 kilometres north of the permit. Oil seepages in the Mindoro Island region confirm the presence of an active petroleum system in the area.



CORPORATE**CASH OUTFLOWS**

Otto's free cash reserve at the end of the quarter was US\$7.735 million (Mar: US\$22.367 million).

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

	Sep 14 Qtr US\$m Forecast	Jun 14 Qtr US\$m Actual	Mar 14 Qtr US\$m Actual	Dec 13 Qtr US\$m Actual	Sep 13 Qtr US\$m Actual
Philippines					
SC 14C					
Production	6.28	5.93	5.80	5.20	4.98
Development	-	-	4.11	13.48	21.97
Exploration	0.11	-	-	-	-
SC 51	-	-	-	1.24	3.24
SC 55	0.10	0.02	0.14	-	-
SC 69	-	-	-	0.09	-
SC 73	0.53	0.10	-	0.14	-
Tanzania	3.17	0.68	0.25	2.62	1.32
Administration	1.67	2.20	2.90	1.83	0.69
Total	11.86	8.93	13.20	24.60	32.20

CORPORATE (CONTINUED)**SHAREHOLDERS**

Otto's issued capital as at 30 June 2014:

	Number
Fully paid ordinary shares	1,151,290,071
Unlisted Options ¹	9,250,000
Performance Rights	12,500,000

¹ Exercisable between 11.13 and 12.0 cents per share with expiration dates from October 2014 to December 2016.

Otto's Top 20 Holders as at 23 June 2014:

TOP 20 SHAREHOLDERS AS AT 23 JUNE 2014

Rank	Name	Units	% of Units
1	SANTO HOLDING AG	241,910,757	21.00%
2	MOLTON HOLDINGS LIMITED	241,910,757	21.00%
3	ACORN CAPITAL LIMITED	86,717,074	7.53%
4	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	53,143,562	4.61%
5	CITICORP NOMINEES PTY LIMITED <CWLTH BANK OFF SUPER A/C>	36,379,606	3.16%
6	JOHN JETTER (CONSOLIDATED RELEVANT INTEREST)	19,089,175	1.66%
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	17,554,744	1.52%
8	RICK CRABB (CONSOLIDATED RELEVANT INTEREST)	17,495,052	1.52%
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	16,305,051	1.42%
10	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	14,020,833	1.22%
11	CITICORP NOMINEES PTY LIMITED	12,801,550	1.11%
12	PAN PACIFIC PETROLEUM NL	11,680,340	1.01%
13	ESCOT FINANCE LTD	8,150,000	0.71%
14	NAVIGATOR AUSTRALIA LTD	7,998,778	0.69%
15	NATIONAL NOMINEES LIMITED	7,261,288	0.63%
16	FORSYTH BARR CUSTODIANS LTD <FORSYTH BARR LTD-NOMINEE A/C>	6,755,344	0.59%
17	MR GREGOR MCNAB	5,500,000	0.48%
18	ICON HOLDINGS PTY LTD	4,941,091	0.43%
19	IAN MACLIVER (CONSOLIDATED RELEVANT INTEREST)	4,549,721	0.40%
20	MR BRIAN LESLEIGH WILLIAMS & MRS VALERIE RUBY DAWN WILLIAMS	4,400,000	0.38%
TOTAL TOP 20 SHAREHOLDERS		818,564,723	71.07%
TOTAL REMAINING SHAREHOLDERS		333,225,348	28.93%
TOTAL SHARES ON ISSUE		1,151,790,071	100.0%

OTTO AT A GLANCE

- ASX-listed oil and gas company with a strategy to grow its oil and gas business across exploration, development and production
- Focused on South East Asia and onshore East Africa
- Operator of the producing Galoc oil field in the Philippines, which provides cashflow
- Opportunity rich with substantial exploration prospects and leads

DIRECTORS

Chairman:

Rick Crabb

Non-Executive Directors:

Ian Boserio

Ian Macliver

John Jetter

Rufino Bomasang

OFFICERS

Chief Executive Officer:

Matthew Allen

Chief Financial Officer:

Craig Hasson

Chief Legal Counsel and Company Secretary:

Scott Blenkinsop

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Definitions

- (1) "\$m" means USD millions of dollars
- (2) "bbl" means barrel
- (3) "bbls" means barrels

Persons compiling information about hydrocarbons

The reserve and contingent resource information in this report is based on information compiled by Mr Mark Pogson MSc (DIC), PhD (Physical Chemistry), BSc (Chemistry and Geochemistry), who has consented to the inclusion of such information in this report in the form and context in which it appears. Mr Pogson consultant to the Company, with more than 25 years relevant experience in the petroleum industry and is a member of The Society of Petroleum Engineers (SPE).

Reserves and Contingent resources have been estimated using both probabilistic and deterministic methods. Otto is not aware of any new information or data that materially affects the assumptions and technical parameters underpinning the estimates of reserves and contingent resources and the relevant market announcements referenced continue to apply and have not materially changed.

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

56 107 555 046

Quarter ended ("current quarter")

30 June 2014

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$US'000	Year to date (12 months) \$US'000
1.1 Receipts from product sales and related debtors	21,676	73,692
1.2 Payments for		
(a) exploration & evaluation	(801)	(9,841)
(b) development	-	(39,550)
(c) production	(5,932)	(21,143)
(d) administration	(2,201)	(7,614)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	11	22
1.5 Interest and other costs of finance paid	(3,735)	(5,599)
1.6 Income taxes paid	-	(770)
1.7 Other	-	3,589
Net Operating Cash Flows	9,018	(7,214)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	(179)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	5
1.10 Loans to other entities	(165)	(165)
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	1,000	425
Net investing cash flows	835	86
1.13 Total operating and investing cash flows (carried forward)	9,853	(7,128)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	9,853	(7,128)
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	-	18,984
1.17	Repayment of borrowings	(24,491)	(35,923)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	(24,491)	(16,939)
	Net increase (decrease) in cash held	(14,638)	(24,067)
1.20	Cash at beginning of quarter/year to date	22,367	31,854
1.21	Exchange rate adjustments to item 1.20	6	(52)
1.22	Cash at end of quarter	7,735	7,735

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	109
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 109	

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	-	-
3.2	Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

		\$US'000
4.1	Exploration and evaluation	3,909
4.2	Development	-
4.3	Production	6,277
4.4	Administration	1,672
Total		11,858

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	7,735	22,367
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (Term Deposit)	-	-
Total: cash at end of quarter (item 1.22)		7,735	22,367

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	SC51, Philippines	80%	0%
6.2	Interests in mining tenements and petroleum 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)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity and oil and gas exploration entity quarterly report

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	1,151,790,071	1,151,790,071		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	2,500,000 Nil	2,500,000 Nil	Nil	Nil
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		
7.7	Options <i>(description and conversion factor)</i>	9,250,000 Unlisted Options	Nil	750,000 Exercise Price \$0.12	On or before 13 October 2014
				500,000 Exercise Price \$0.12	On or before 5 January 2015
				8,000,000 Exercise Price \$0.1113	On or before 2 December 2016
		12,500,000 Unlisted Performance Rights	Nil	4,000,000 Performance Rights	On or before 31 December 2014
				8,500,000 Performance Rights	On or before 1 April 2016
7.8	Issued during quarter	Nil	Nil	Nil	Nil

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

7.9	Exercised during quarter	2,500,000 Unlisted Performance Rights	Nil	Conversion of 2,500,000 Unlisted Performance Rights upon vesting	15 April 2014
7.10	Expired during quarter	1,000,000 Unlisted Performance Rights	Nil	1,000,000 Unlisted Performance Rights	15 April 2014
		500,000 Unlisted Options	Nil	500,000 Unlisted Options	30 June 2014
7.11	Debentures <i>(totals only)</i>	Nil	Nil		
7.12	Unsecured notes <i>(totals only)</i>	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.

Matthew Allen
Chief Executive Officer
09 July 2014

+ 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 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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