

Quarterly REPORT



THREE MONTHS ENDED 31 MARCH 2015

QUARTERLY HIGHLIGHTS

Corporate:

- Completed divestment of the Galoc Production Company WLL (holder of Otto's 33% interest in the Galoc oil field).
- Submission made to and regular engagement with Australian Tax Office for a Class Ruling regarding the taxation treatment for proposed 6.4c/share capital return.

Exploration:

- Philippines SC55 – Entered into farm-in agreement with Red Emperor Resources NL and received an expression of interest to farm-in from PNOC-EC;
- Philippines SC55 – Entered into Letter of Intent to secure the Maersk Venturer drilling rig;
- Tanzania – Commenced processing of 630km of new 2D seismic in the Pangani and Kilombero Production Sharing licences.

FINANCIAL SUMMARY

		Mar 2015 Quarter	Dec 2014 Quarter	Change %
Closing Cash Position	US\$m	101.64	31.30	225%
Expenditure	US\$m	5.12	10.82	(52.7%)

THREE-MONTH OUTLOOK

- Subject to Board and shareholder approval and receipt of a Class Ruling from the Australian Taxation Office, distribute a proposed 6.4c/share capital return to shareholders in Q2 2015;
- Complete processing and interpretation of recently acquired 2D seismic data in Tanzania;
- Finalise rig contract for the Hawkeye-1 exploration well, offshore Philippines (SC55);
- Complete farm-out campaign for SC55 prior to drilling Hawkeye-1;
- Commence preparation to mobilise for drilling of Hawkeye-1 in Q3 2015.

EXPLORATION ASSETS

SERVICE CONTRACT 55

Location: Offshore Palawan, Philippines
Area: 9,880 km²
Otto's Interest: 78.18% - 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 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 paid US\$3.0 million to Otto; and
- BHPBP will pay a further US\$24.5 million to Otto upon drilling the first exploration well in SC55.

Otto's subsidiary, Otto Energy Philippines Inc, executed an agreement with Red Emperor Resources NL to farm-in to earn a 15% working interest in SC55. The terms of the farm-in agreement were announced on 2 March 2015. Otto has also received an expression of interest from the Philippines National Oil Company – Exploration Corporation (PNOC-EC) to farm-in to earn a 15% working interest.

With the combination of the funding committed from BHP Billiton and the Red Emperor and PNOC-EC farm-ins, Otto is fully funded for the drilling of Hawkeye-1.

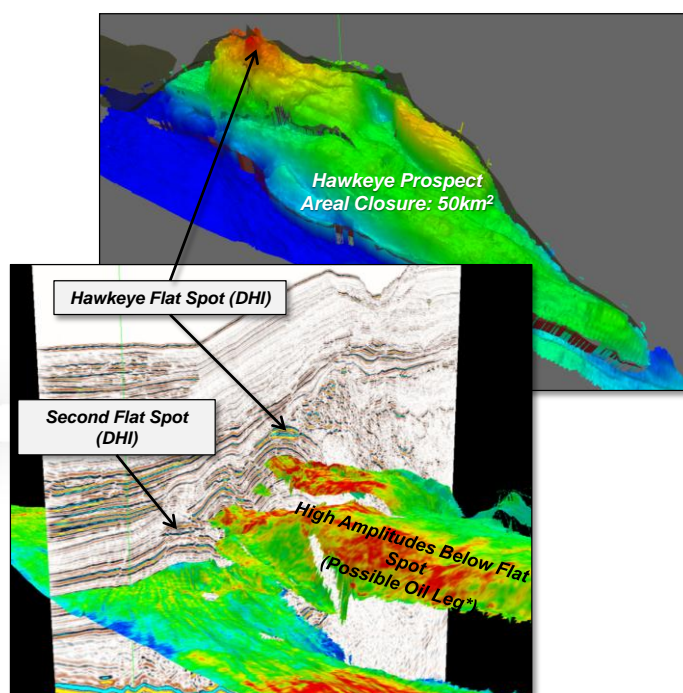
Otto has also executed a letter of intent with Maersk Drilling, one of the world's largest offshore drilling companies, to secure the Maersk Venturer ultra-deepwater drillship to drill Hawkeye-1. Otto is targeting the drilling of Hawkeye-1 in Q3 2015.

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 74 MMbbl of oil (assuming 78.18% working interest for Otto and excluding Government Share).

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 km north east of the permit. Cinco contains

- 'Best Estimate' GIIP of 2.4 Tcf; and
- 'Best Estimate' Net Prospective Resource of 1.1 Tcf of gas and 38 MMbbl of associated condensate (Condensate Gas Ratio 35 bbls/MMcf), assuming 78.18% working interest for Otto and excluding Government Share.



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) Plc

The Joint Venture entered 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 110 km of 2D seismic was acquired over the Kilombero basin in 2013. 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 2014 program to acquire 430 km of additional 2D seismic data across the Kilombero basin was undertaken during Q4 2014. The focus of the program was to:

1. Provide additional lines across the "Kito" prospect that may become a drillable target.
2. Cover other portions of the basin which according to 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; and
- Best Estimate Prospective Resource of 60.4 MMbbls to Otto.

The new 2D data is presently being processed and detailed technical evaluation of same will occur during Q2 2015.

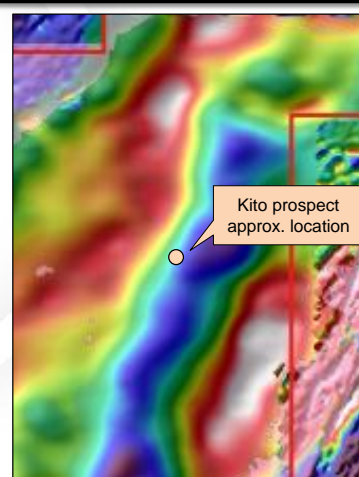
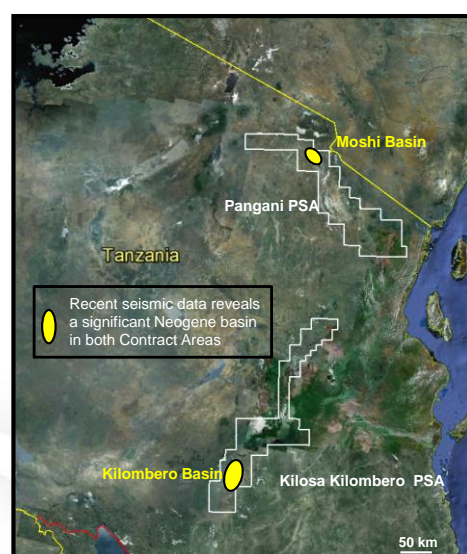
Pangani Permit

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 25 km wide, and with basin fill to between 2,000 and 3,000m depth.

During Q3 2014, a further 200 km of 2D seismic data was acquired across the Moshi basin area. The focus of this survey is to better understand the geometry of the basin and firm up structures for drilling.

Processing of the new data has recently been completed and a thorough technical analysis of same will occur during Q2 2015.



EXPLORATION ASSETS (CONTINUED)**SERVICE CONTRACT 73**

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

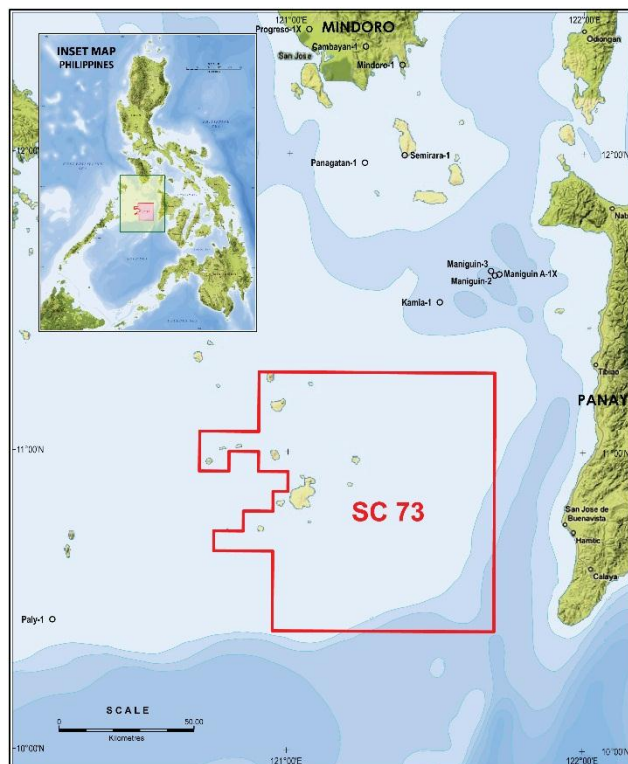
Otto has completed reprocessing of a focussed subset of existing seismic data in the block with a minimum financial commitment of US\$0.5 million over an initial period of 18 months.

SC 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 1,300m. There is 3,000 km 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 km north of the permit. Oil seepages in the Mindoro Island region confirm the presence of an active petroleum system in the area.

A complete technical review of the block is presently underway incorporating the recently reprocessed seismic data. The outcome of this work will provide a sound basis for a decision on whether Otto will elect to commit to further activities.



CORPORATE**DIVESTMENT OF GALOC PRODUCTION COMPANY WLL**

On 20 January 2015 shareholder approval was received for Otto to divest 100% of the shares in the Galoc Production Company WLL (GPC), the holder of Otto's 33% interest in the Galoc oil field located in Service Contract 14C (Galoc Interest), to Nido Petroleum Ltd.

Completion of the transaction was achieved on 17 February 2015.

A separate General Meeting of shareholders will be required to approve the proposed capital return of A\$0.064 per share following receipt of an Australian Taxation Office ruling to confirm the treatment of the capital return to shareholders and final determination by Directors.

CASH OUTFLOWS

Otto's free cash reserve at the end of the quarter was US\$101.64 million (Dec: US\$31.30 million).

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

	Jun 15 Qtr US\$m Forecast	Mar 15 Qtr US\$m Actual	Dec 14 Qtr US\$m Actual	Sep 14 Qtr US\$m Actual
Philippines				
SC 14C				
Production	-	2.08	5.03	5.50
Exploration	-	-	0.05	0.09
SC 55	3.31	0.86	0.05	-
SC 73	0.05	0.05	0.10	0.10
Tanzania	0.29	0.35	4.06	2.01
Administration	1.28	1.78	1.53	2.10
Total	4.93	5.12	10.82	9.80

CORPORATE (CONTINUED)**SHAREHOLDERS**

Otto's issued capital as at 31 March 2015:

	Number
Fully paid ordinary shares	1,155,790,071
Unlisted Options ¹	8,000,000
Performance Rights	17,300,000

¹ Exercisable at 11.13 per share with expiration date of December 2016.

Otto's Top 20 Holders as at 13 April 2015:

TOP 20 SHAREHOLDERS AS AT 13 APRIL 2015

Rank	Name	Units	% of Units
1	SANTO HOLDING AG	241,910,757	20.78%
2	MOLTON HOLDINGS LIMITED	241,910,757	20.78%
3	ACORN CAPITAL LIMITED	92,377,571	7.93%
4	CITICORP NOMINEES PTY LIMITED <CWLTH BANK OFF SUPER A/C>	32,919,678	2.83%
5	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	31,920,241	2.74%
6	JOHN JETTER (CONSOLIDATED RELEVANT INTEREST)	19,089,175	1.64%
7	RICK CRABB (CONSOLIDATED RELEVANT INTEREST)	17,495,052	1.50%
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	16,305,051	1.40%
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	14,638,839	1.26%
10	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	14,020,833	1.20%
11	CITICORP NOMINEES PTY LIMITED	13,466,550	1.16%
12	PAN PACIFIC PETROLEUM NL	11,680,340	1.00%
13	ESCOT FINANCE LTD	8,150,000	0.70%
14	NAVIGATOR AUSTRALIA LTD	8,019,396	0.69%
15	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	6,926,293	0.59%
16	FORSYTH BARR CUSTODIANS LTD <FORSYTH BARR LTD-NOMINEE A/C>	6,723,246	0.58%
17	MR GREGOR MCNAB	5,500,000	0.47%
18	NATIONAL NOMINEES LIMITED	5,448,799	0.47%
19	SPHINX HOLDINGS LTD	4,611,503	0.40%
20	IAN MACLIVER (CONSOLIDATED RELEVANT INTEREST)	4,549,721	0.39%
TOTAL TOP 20 SHAREHOLDERS		797,663,802	68.51%
TOTAL REMAINING SHAREHOLDERS		366,626,269	31.49%
TOTAL SHARES ON ISSUE		1,164,290,071	100.0%

OTTO AT A GLANCE

- ASX-listed oil and gas company with a strategy to grow an integrated petroleum business through high impact exploration
- Focused on South East Asia and East Africa
- Formerly Operator of the producing Galoc oil field in the Philippines

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

Company Secretary:

Neil Hackett

CONTACTS

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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 Paul Senycia BSc (Hons) (Mining Engineering), MAppSc (Exploration Geophysics), who has consented to the inclusion of such information in this report in the form and context in which it appears. Mr Senycia is a full time employee of the Company, with more than 30 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.

The estimated quantities of petroleum that may potentially be recovered by the application of future development projects relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

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")

31 March 2015

Consolidated statement of cash flows

		Current quarter \$US'000	Year to date (9 months) \$US'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	6,327	45,217
1.2	Payments for		
	(a) exploration & evaluation	(1,259)	(7,705)
	(b) development	-	-
	(c) production	(2,077)	(12,598)
	(d) administration	(1,782)	(5,432)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	159	176
1.5	Interest and other costs of finance paid	-	(7)
1.6	Income taxes paid	-	(6,354)
1.7	Other	-	754
Net Operating Cash Flows		1,368	14,051
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	13
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) fixed assets	1	1
	(c) subsidiary (net)	70,343	81,143
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	165
1.12	Other (provide details if material)	-	-
Net investing cash flows		70,344	81,322

+ 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)	71,712	95,373
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 (provide details if material)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	71,712	95,373
1.20	Cash at beginning of quarter/year to date	31,299	7,735
1.21	Exchange rate adjustments to item 1.20	(1,374)	(1,471)
1.22	Cash at end of quarter	101,637	101,637

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	92
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 92

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	3,469
4.2 Development	-
4.3 Production	-
4.4 Administration	1,279
Total	4,928

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	55,841	31,299
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (Term Deposit)	45,796	-
Total: cash at end of quarter (item 1.22)	101,637	31,299

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	SC14c, Philippines	Service Contract	33%	0%
6.2 Interests in mining tenements and petroleum tenements acquired or increased				

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities (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	1,155,790,071	1,155,790,071		
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)	8,000,000 Unlisted Options	Nil	8,000,000 Exercise Price \$0.1113	On or before 2 December 2016
		17,300,000 Unlisted Performance Rights	Nil	8,500,000 Performance Rights	On or before 1 April 2016
				8,800,000 Performance Rights	On or before 31 December 2018

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

7.8	Issued during quarter	Nil		Nil	Nil
7.9	Exercised during quarter	Nil	Nil	Nil	Nil
7.10	Expired during quarter	500,000 Unlisted Options	Nil	500,000 Exercise Price \$0.12	On or before 5 January 2015
		Nil	Nil	Nil	Nil
7.11	Debentures (totals only)	Nil	Nil		
7.12	Unsecured notes (totals only)	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
20 April 2015

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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