



31 January 2011

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

By E-Lodgement

QUARTERLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2010

Otto Energy Ltd ("Otto") has focused its business in core Philippine assets and matured a high quality exploration portfolio.

- Galoc production of 442,819 bbl gross (83,161 bbl net to Otto) of crude oil with field life to date uptime now at 84%
- SC55 3D seismic interpretation supports ongoing exploration program by maturing the Hawkeye prospect
- Sale of Edirne interests in Turkey to Valeura Energy Inc of Canada for US\$3.1m
- Farm-out of 40% equity in SC51 to SWAN Oil and Gas Ltd for US\$1.5m
- Execution of a rig contract with Desco for drilling of the Duhat-1 well in San Isidro, Onshore Leyte

The Galoc oil field has now produced a total of 6.27Mbbbls of crude oil as of 31st December 2010 and delivered 18 offtakes to refinery customers. The field was producing ~8,000 bopd at the end of quarter. Otto, through its shareholding in the Operator GPC, is working to continue to improve facility performance and plan for the appraisal and development of the remainder of the field.

Otto has focused its exploration portfolio by high grading its acreage and is focusing on the Galoc, Service Contract 55 and 69 permits in the Philippines. Activity in 2011 will be centred on maturing both exploration permits to being ready to be drilled.

Interpretation of the recently acquired 3D seismic in Service Contract 55, offshore Palawan has matured the Hawkeye prospect. In addition, this permit contains a number of additional high quality leads and prospects that are being matured. We look forward to a highly promising exploration program in this permit in the coming two years.

Otto announced in December that it had executed an asset sale agreement with Valeura Energy Inc of Canada to sell the interest in the Edirne licence for US\$3.1m, inclusive of taxes. The effective date of the sale is 1 October 2010, hence Otto has not reported any production results in this quarterly report. Close was expected to be by 22 December 2010. Due to the impact of the holiday season, close had not occurred at the end of quarter and is expected to be completed by late February 2011.

All enquiries are to be addressed to Matthew Allen, Chief Financial Officer on +61 8 6467 8800 or e-mail info@ottoenergy.com.

OTTO AT A GLANCE

- ASX-listed oil and gas company with significant growth potential.
- Production from Galoc Oil Field provides cash flow.
- First operated exploration well in Philippines in 2011
- Opportunity rich with substantial exploration prospects and leads in portfolio.

COMPANY OFFICERS

Rick Crabb	Chairman
Paul Moore	Managing Director
Ian Macliver	Director
Rufino Bomasang	Director
John Jetter	Director
Ian Boserio	Director
Matthew Allen	CFO/Coy Secretary



**QUARTERLY ACTIVITIES REPORT
FOR THE QUARTER ENDED 31 DECEMBER 2010**

FINANCIAL HIGHLIGHTS

		2010 YTD	December 2010 Quarter	September 2010 Quarter	Movement	Change %
Production (net to Otto)						
- Galoc	bbl	212,324	83,161	129,163	(46,002)	(35.6%)
- Edirne ⁽¹⁾	Mscf	204	-	204	(204)	(100.0%)
	boe	34,012	-	34,012	(34,012)	(100.0%)
Liftings (net to Otto) ⁽⁴⁾ (Galoc)	bbl	176,044	45,065	130,979	(85,914)	(65.6%)
Receipts from GPC	US\$m	3.703	0.000	3.703	(3.703)	(100.0%)
Closing Cash Position	US\$m	29.815	29.815	32.741	(2.926)	(8.9%)
Expenditure (excl GPC costs) ⁽⁵⁾	US\$m	8.633	4.541	4.092	0.449	11.0%

(1) "Mscf" means million standard cubic feet

(2) "mscf" means thousand standard cubic feet

(3) "boe" means barrels of oil equivalent . In common with international practice, dry gas volumes are converted to oil equivalent volumes via a constant conversion factor, for which Otto adopts 6 mcf of dry gas to one boe

(4) Receipts from GPC are subject to timing and payment conditions on oil deliveries and may therefore not correspond to liftings sold in the quarter

(5) Expenditure does not include GPC operating costs – these are deducted prior to remitting funds to Otto

(6) "\$m" means millions of dollars

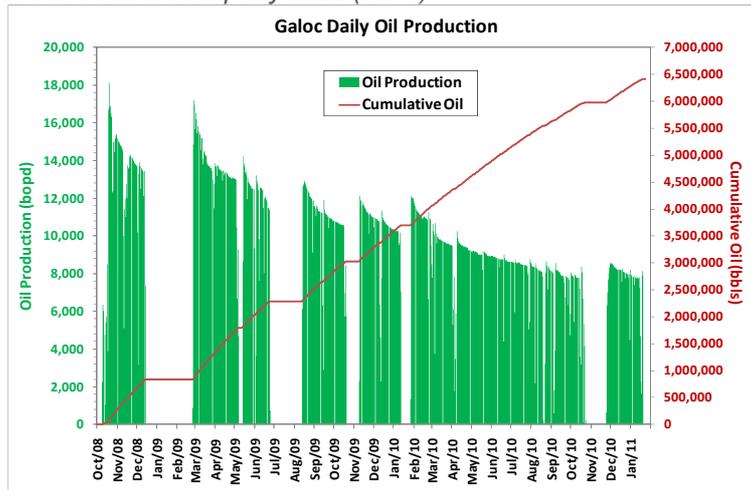
(7) "bopd" means barrels per day

The Reserve and Contingent Resource estimates outlined in this announcement have been compiled by Mr Nick Pink. Mr Pink is the Senior Reservoir Engineer of Otto and a full time employee. Mr Pink has more than 12 years of relevant experience and is qualified in accordance with ASX Listing Rule 5.11. Mr Pink has consented to the form and context that this statement appears.

PRODUCTION AND DEVELOPMENT ASSETS

GALOC OIL FIELD

- Service Contract 14C, Palawan Basin, Philippines
- OEL 18.78% Indirect Interest (Held via 31.38% interest in GPC which has a 59.84% interest in the Galoc Block SC14C)
- Operator: Galoc Production Company WLL (GPC)



Production:

- Facility uptime life to date is now 84%.
- During the December quarter, the FPSO contractor trialled a Torpedo Buoy enhancement to the Mooring and Riser system which separated on 25 October 2010. A 31 day shutdown followed the non-routine disconnection from the mooring and riser system and the Operator resumed production on 25 November 2010. The system has been restored to the pre-trial condition
- Production to date from the Galoc field is 6.27Mbbbl gross (1.18 Mbbbl to Otto)
- Field daily production averaged ~4,813 bopd during the quarter

	Production bbls		Lifting's bbls		Uptime %	Rolling 12 Month Average
	Gross	Net	Gross	Net		
1 st Qtr 2010	767,315	144,102	647,746	121,647	83	74
2 nd Qtr 2010	796,815	149,642	1,027,165	192,902	100	78
3 rd Qtr 2010	687,771	129,163	697,437	130,979	92	89
4th Qtr 2010	442,819	83,161	239,964	45,065	61	84

Offtakes:

- One offtake of Galoc crude oil was completed in the quarter. A further offtake was completed on 11 January 2011. The difference between offtake and production volumes represent movements in crude oil inventories on the Rubicon Intrepid FPSO vessel at the end of the quarter.

Financial:

- Payments of US\$0.00 million received by Otto from Galoc Production Company (GPC) after deduction of operating/lifting costs. Otto is due to receive a payment of US\$4.100m resulting from lifting's during the December quarter in January or February 2011.

Phase 2 Potential Development:

- Reservoir development activities, including both interpretation and mapping of the recently reprocessed seismic data and future development well location selection/ranking continued in the quarter

EXPLORATION ASSETS

PHILIPPINES

Service Contract 55

- OEL (through its wholly-owned subsidiary NorAsian Energy Ltd) 85% Interest and Operator
- Area 9,880 km²
- Work commitments in current sub-phase completed. Next sub-phase commences August 2011 and includes drilling of one deepwater exploration well by August 2012

During the quarter interpretation of the 600km² 3D seismic program covering the Hawkeye prospect was further progressed. The outcome of this work has been very positive with the maturation of the Hawkeye prospect, with mid-case in place volumes of 484 MMboes, and a fully ranked and risked prospects and leads portfolio for this portion of the block.

Processing of the 1,800 km² Extension 3D seismic data continued. Interpretation of an intermediate version of the data cube allowed identification of several leads which are expected to mature to drillable status once the final data set is processed in Q1 2011.

Subsequent to the end of the quarter, the final data set has been received, including both seismic programs being processed to Pre-Stacked Depth Migration (PSDM) standard.

Service Contract 50

- OEL (through its wholly-owned subsidiary NorAsian Energy Ltd) 85% Interest and Operator
- Area 1,280 km²
- Work commitment in the current sub-phase requires two wells in the Calauit field by March 2011

Otto has announced its intention to relinquish this permit and is in discussion with the Philippine Department of Energy and joint venture partners on the process of relinquishment.

Service Contract 51

- OEL (through its wholly-owned subsidiary NorAsian Energy Ltd) 80% Interest and Operator
- Area 3,320 km²
- Work commitment in the current sub-phase requires drilling of 1 exploration well by July 2011

Commitment has been made to drill the onshore Duhat-1 exploration well on the island of Leyte. This is a commitment well planned to be drilled to a depth of 1000 metres targeting Miocene age sandstone reservoir of the Tagnacot formation. Duhat-1 is expected to spud in March 2011.

Otto has executed a farm-out agreement with SWAN Oil and Gas Ltd to participate in the drilling of Duhat-1 and SWAN will contribute US\$1.5m to the drilling of this well in return for 40% equity in the Northern Block and 80% equity in the Southern Block.

Otto has elected to not participate in the Southern block of SC 51, which includes the Argao prospect. Otto will retain a 40% working interest in the Northern block.

Service Contract 69

- *OEL (through its wholly-owned subsidiary NorAsian Energy Phils Inc) 70% Interest and Operator*
- *Area 7,040 km²*
- *Work commitment in the current sub-phase completed*

Otto has provided notice of intention to enter the next sub-phase in February 2011 and is planning for the acquisition of 150 km² of 3D seismic commencing in Q2 2011.

The decision to enter the next sub phase and acquire 3D seismic was underpinned by detailed interpretation of the recently acquired 2D seismic data, which highlighted the potential of the Lampos and Lampos South prospects (combined mid-case in place volumes of 178 MMboes). The 3D is being acquired to promote these prospects to drillable status.

BUSINESS DEVELOPMENT

Otto has initiated a focused program of business development targeting entry into new opportunities within South East Asia, Australasia and East Africa. This program aims to deliver high quality new exploration, development and production opportunities in which Otto has competency in securing competitive fiscal and commercial terms or can make use of its technical skills.

The first of these business development opportunities has seen Otto execute an Area of Mutual Interest Agreement (AMI) with Swala Energy Ltd. This provides Otto access to Swala personnel with significant working knowledge of the East Africa oil and gas industry and can assist with gaining entry to opportunities in the region. The agreement is for 12 months with an option to extend for another 12 months and will see Otto contribute the first US\$1.3m in funding, expenditure above this level to be funded 50/50 by each of Swala and Otto.

CORPORATE

SHAREHOLDERS

Otto's issued capital as at 31 December 2010

Class	Number
Fully paid ordinary shares	1,134,540,071
Unlisted Options ¹	67,000,000

¹ Exercisable between 12 and 60 cents per share.

TOP 20 SHAREHOLDERS AS AT 21 JANUARY 2011

Rank	Name	Units	% of Units
1	MOLTON HOLDINGS LTD	241,910,757	21.32%
2	SANTO HOLDING AG	241,910,757	21.32%
3	NATIONAL NOMINEES LIMITED	60,325,133	5.32%
4	CITICORP NOMINEES PTY LIMITED	27,979,398	2.47%
5	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	20,812,599	1.83%
6	ESCOR INVESTMENTS PTY LTD	20,000,000	1.76%
7	J P MORGAN NOMINEES AUSTRALIA LIMITED	19,326,716	1.70%
8	JOHN JETTER (CONSOLIDATED RELEVANT INTEREST)	19,089,175	1.68%
9	RICK CRABB (CONSOLIDATED RELEVANT INTEREST)	16,995,052	1.50%
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	14,791,931	1.30%
11	CABLE NOMINEES PTY LTD	13,966,934	1.23%
12	YRS INVESTMENTS LIMITED	13,520,833	1.19%
13	RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <MLCI A/C>	12,003,695	1.06%
14	CITICORP NOMINEES PTY LIMITED <CWLTH BANK OFF SUPER A/C>	8,651,683	0.76%
15	DALY FINANCE CORP	8,150,000	0.72%
16	ESCOT FINANCE LTD	8,150,000	0.72%
17	IAN MACLIVER (CONSOLIDATED RELEVANT INTEREST)	6,306,942	0.56%
18	FORBAR CUSTODIANS LIMITED <FORSYTH BARR LTD-NOMINEE A/C>	5,940,261	0.52%
19	WILLIAM TAYLOR NOMINEES PTY LTD	5,400,000	0.48%
20	MR DAVID KENNETH ANDERSON + MRS CHARMAYNE ANDERSON <THE CANTERBURY S/FUND A/C>	5,000,000	0.44%
TOTAL TOP 20 SHAREHOLDERS		770,231,866	67.89%
TOTAL REMAINING SHAREHOLDERS		364,308,205	32.11%

ESTIMATED CASH OUTFLOWS

Otto's free cash reserve at the end of the quarter were US\$22.948 million (September: US\$25.498 million). This excludes US\$6.867 million (June: US\$7.242 million) remaining in escrow to fund the SC 55 seismic acquisition and processing.

Expected cash outflows in the coming quarter are as follows:

	Mar 2011 Quarter US\$m Forecast	Dec 2010 Quarter US\$m Actual	Sep 2010 Quarter US\$m Actual	Jun 2010 Quarter US\$m Actual
Philippines				
• SC 14C	0.08	0.04	0.05	-
• SC 50	-	-	-	-
• SC 51	3.12	0.51	0.03	0.02
• SC 55 ⁽¹⁾	0.20	0.22	-	0.22
• SC 69	0.20	0.02	-	0.83
Turkey	0.81	1.24	1.91	1.57
Business Development	0.55	-	-	-
Administration	1.36	2.50	2.09	1.20
Total	6.32	4.53	4.09	3.83

⁽¹⁾ Excludes US\$0.375 million spent on processing and interpretation of the 1,800 km² 3D seismic in SC 55 in the quarter.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

OTTO ENERGY LIMITED

ABN

56 107 555 046

Quarter ended ("current quarter")

31 December 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$US'000	Year to date (6months) \$US'000
1.1 Receipts from product sales and related debtors	1,951	4,025
1.2 Payments for		
(a) exploration & evaluation		
Excluding 1,800km ² SC55 seismic	(2,041)	(4,048)
1,800km ² SC55 seismic	(375)	(1,597)
(b) development	-	-
(c) production	-	-
(d) administration	(2,500)	(4,586)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – Recharge income	-	-
Other – Seismic Acquisition Contribution	-	-
Net Operating Cash Flows	(2,966)	(6,206)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(30)	(112)
1.9 Proceeds from sale of		
(a) prospects	-	-
(b) equity investments	27	27
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	3,703
1.12 Other (provide details if material)	-	-
Net investing cash flows	(3)	3,617
1.13 Total operating and investing cash flows (carried forward)	(2,969)	(2,589)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(2,969)	(2,589)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	2,627
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	(1)
1.18	Loan to employee	-	-
1.19	Costs associated with the issue of shares	-	-
	Net financing cash flows	-	2,626
	Net increase (decrease) in cash held	(2,969)	38
1.20	Cash at beginning of quarter/year to date	32,741	29,707
1.21	Exchange rate adjustments to item 1.20	42	70
1.22	Cash at end of quarter	29,815	29,815

Payments to directors of the entity and associates of the directors

Payments to 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	100
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Payments of Directors Fees	77
Payments to Director Related Companies	23

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

+ See chapter 19 for defined terms.

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
	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

	\$US'000
4.1 Exploration and evaluation	3,600
4.2 Development	-
4.3 Production	810
4.4 Administration	1,910
Total	6,320

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	28,861	32,401
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other – Term Deposit	954	340
Total: cash at end of quarter (item 1.22)	29,815	32,741

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	None		
6.2	Interests in mining tenements acquired or increased	None		

+ See chapter 19 for defined terms.

Appendix 5B
Mining 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 <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	1,134,540,071	1,134,540,071		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	Nil 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		

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.7	Options <i>(description and conversion factor)</i>	67,000,000 Unlisted	Nil	4,000,067 Exercise Price \$0.20 3,999,967 Exercise Price \$0.30 1,999,966 Exercise Price \$0.40 11,000,000 Exercise Price \$0.30 1,500,000 Exercise Price \$0.35 2,500,000 Exercise Price \$0.60 7,500,000 Exercise Price \$0.12 6,000,000 Exercise Price \$0.12 1,000,000 Exercise Price \$0.12 5,500,000 Exercise Price \$0.12 3,000,000 Exercise Price \$0.12 13,000,000 Exercise Price \$0.12 6,000,000 Exercise Price \$0.125	On or before 29 May 2011 On or before 29 May 2011 On or before 29 May 2011 On or before 25 Jan 2011 On or before 10 Apr 2012 On or before 01 Aug 2012 On or before 30 June 2014 On or before 08 September 2012 On or before 19 January 2013 On or before 16 February 2013 On or before 11 August 2013 On or before 26 November 2013 On or before 30 November 2013
7.8	Issued during quarter	19,000,000 Unlisted	Nil	13,000,000 Exercise Price \$0.12 6,000,000 Exercise Price \$0.125	On or before 26 November 2013 On or before 30 November 2013
7.9	Exercised during quarter	Nil	Nil	Nil	Nil
7.10	Expired during quarter	9,750,000 Unlisted	Nil	7,750,000 Exercise Price \$0.30 2,000,000 Exercise Price \$0.60	On or before 17 Dec 2010 On or before 15 Dec 2010
7.11	Debentures <i>(totals only)</i>	Nil	Nil	Nil	Nil

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.12	Unsecured notes (<i>totals only</i>)	Nil	Nil	Nil	Nil
	Performance Based Shares	Nil	Nil	Nil	Nil
	Changes during quarter	-	-	-	-

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 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Paul Moore
Managing Director
31 January 2011

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 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting 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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