



26 July 2011

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

By E-Lodgement

## QUARTERLY REPORT FOR THE THREE MONTHS ENDED 30 JUNE 2011

Otto Energy Ltd ("Otto") has continued to focus on its Philippines-based portfolio of high quality exploration assets, complemented by oil production from the Galoc field.

### Highlights:

- Galoc production during the quarter of 618,244 bbl gross of crude oil (116,106 bbl net to Otto), with 88% 12-month rolling uptime for the field
- Exercise of farm-in option by BHP Billiton in SC55 and Otto (through its wholly-owned subsidiary NorAsian Energy Ltd) lodgement of notice to enter drilling exploration sub-phase
- Completion of Duhat-1/1A exploration well drilling provides strong support for follow up in SC51
- Completion of 210 km<sup>2</sup> high quality 3D seismic acquisition over Lamos and Lamos South prospects in SC69
- Galoc joint venture approval in July to install an improved mooring and riser system upgrade for FPSO Rubicon Intrepid, crucial to progressing Phase 2 field development

### Production

Since the start-up of production in October 2008, the Galoc oil field has produced a total of 7.54 million barrels of crude oil as of 30th June 2011, and delivered 22 offtakes to refinery customers. As at the end of the June 2011 quarter, the field was producing around 6,750 barrels of oil a day

Otto, through its shareholding in the field operator Galoc Production Company WLL ("GPC"), has commenced pre-planning activities for the further development of the Galoc field with a decision on Phase 2 due to be taken in early 2012.

### Exploration and Development

Interpretation of the recently acquired 3D seismic from Service Contract 55, offshore Palawan, has matured the amplitude-supported Hawkeye prospect and a series of large Nido level carbonate prospects. The permit contains a significant number of high quality, large volume prospects that are being quickly matured for drilling by Otto and its partners. The JV has recently elected to enter the next permit sub-phase which requires a commitment well to be drilled prior to August 2012.

### Corporate

The Board is currently finalising negotiations for the appointment of a new CEO and will advise the market accordingly once completed.

### 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 Q2 2011
- Opportunity rich with substantial exploration prospects and leads in portfolio.

### COMPANY OFFICERS

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

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**QUARTERLY ACTIVITIES REPORT  
FOR THE QUARTER ENDED 30 JUNE 2011**

**FINANCIAL HIGHLIGHTS**

		2011 YTD	June 2011 Quarter	March 2011 Quarter	Movement	Change %
<b>Production (net to Otto)</b>						
- Galoc	bbl	450,791	116,106	122,361	(6,255)	-5.11%
- Edirne <sup>(1)</sup>	Mscf	204	-	-	-	-
	boe	34,012	-	-	-	-
<b>Liftings (net to Otto) <sup>(4)</sup> (Galoc)</b>	bbl	437,286	128,648	132,594	(3,946)	-2.98%
<b>Receipts from GPC</b>	US\$m	17.288	7.657	5.928	1.729	29.17%
<b>Closing Cash Position</b>	US\$m	35.625	35.625	34.385	1.240	3.61%
<b>Expenditure (excl GPC costs) <sup>(5)</sup></b>	US\$m	19.423	5.632	5.210	(0.42)	-8.10%

<sup>(1)</sup> "Mscf" means million standard cubic feet

<sup>(2)</sup> "mscf" means thousand standard cubic feet

<sup>(3)</sup> "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

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

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

<sup>(6)</sup> "\$m" means millions of dollars

<sup>(7)</sup> "bopd" means barrels per day

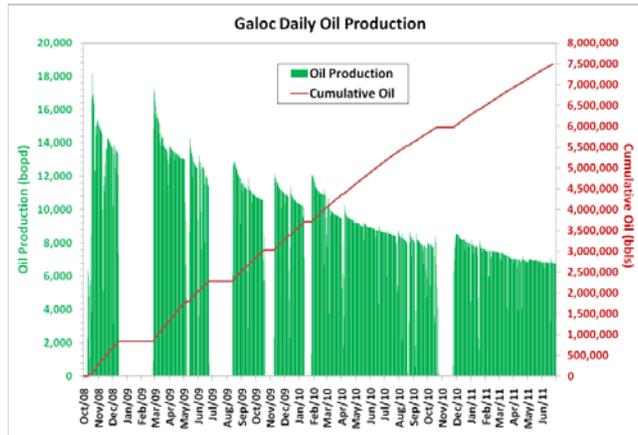
The Reserve and Contingent Resource estimates outlined in this announcement have been compiled by Mr Nick Pink. Mr Pink is the Senior Reservoir Engineer of Otto and a full time employee. Mr Pink has more than 12 years of relevant experience and is qualified in accordance with ASX Listing Rule 5.11. Mr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

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## PRODUCTION AND DEVELOPMENT ASSETS

### GALOC OIL FIELD

- Service Contract 14C, Palawan Basin, Philippines
- Otto 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/Financial

- Facility uptime rolling 12 month average is now 88%.
- The Galoc field had the benefit of both excellent uptime and oil price for the June 2011 quarter.
- Production to date from the Galoc field is 7.54 Mbbl gross (1.41 Mbbl to Otto)
- Field daily production averaged ~6,794 bopd during the quarter
- Payments of US\$7.66 million received by Otto from Galoc Production Company (GPC) after deduction of operating/lifting costs.

	Production bbls		Lifting's bbls		Uptime %	Rolling 12 Month Average
	Gross	Net	Gross	Net		
3 <sup>rd</sup> Qtr 2010	687,771	129,163	697,437	130,979	92	89
4 <sup>th</sup> Qtr 2010	442,819	83,161	239,964	45,065	61	84
1 <sup>st</sup> Qtr 2011	651,551	122,361	706,038	132,594	98	87
2 <sup>nd</sup> Qtr 2011	618,244	116,106	685,028	128,648	100	88

### Offtakes

Two offtakes of Galoc crude oil were completed in the quarter. The next offtake is planned for the first week of August. The difference between offtake and production volumes represents movements in crude oil inventories on the Rubicon Intrepid FPSO vessel at the end of the quarter.

### Phase 2 Potential Development and Mooring System Upgrade

Since the end of the quarter, the Galoc joint venture has approved an upgrade which involves the installation of a new turret mooring system. The system is expected to increase the FPSO operating uptime to in excess of 95% due to the enhanced and simplified single point mooring system. The installation of the turret is planned for the fourth quarter of 2011. The enhanced mooring and riser system is a crucial component of the infrastructure to enable the Galoc joint venture to move ahead with a Phase 2 field development. The operator, GPC, has commenced pre-planning activities for the further development of the Galoc field.

## EXPLORATION ASSETS

### Service Contract 55, Offshore Palawan, Philippines

- Otto (through its wholly-owned subsidiary NorAsian Energy Ltd) 93.18% Interest and Operator
- Area 9,880 km<sup>2</sup>
- Work commitments in sub-phase 4 requires drilling of one deepwater exploration well by August 2012

The exercise of an option to farm-in to SC55 by BHP Billiton was announced in May 2011. Otto is currently working with BHP Billiton to finalise farm-in arrangements and prepare for the drilling phase of exploration activities. Once the farm-in documents are completed, Otto and BHP Billiton will request the Department of Energy's approval prior to the assignment of a 60% interest and operatorship to BHP Billiton. Upon completion of the farm-in, including receipt of the Department of Energy's approval of assignment, Otto's working interest in SC55 will reduce to 33.18%.

Notice has been issued by the joint venture to the Department of Energy to enter into Sub-Phase 4 commencing on 5 August 2011 and running until 5 August 2012. The work program commitment in this 12 month period is to drill one deepwater offshore well.

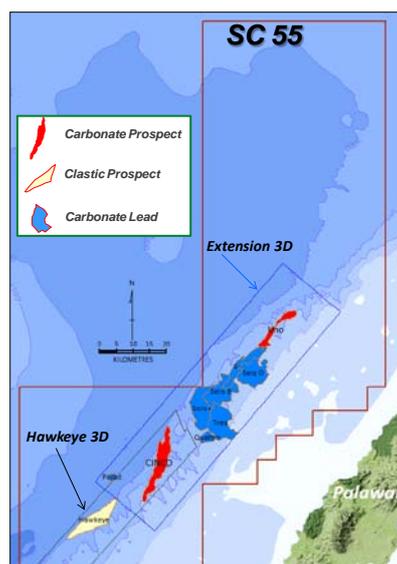
A robust, diverse and extensive portfolio of exploration prospects and leads has emerged from the recent analysis of the over 2,400 km<sup>2</sup> of 3D seismic acquired in 2010. This portfolio has significant depth and variety and will present a high impact exploration drilling program for Otto over the remaining term of the exploration licence.

The recent 3D seismic provides clear evidence of a new hydrocarbon bearing play fairway being present over much of the licence area with direct hydrocarbon indicators ("DHI's") being observed in multiple locations. This area of South West Palawan has seen little historical offshore exploration drilling, and no deepwater offshore drilling has occurred to date. This is an exciting new frontier that has significant scale and potential sitting between proven oil and gas fields to both the north and south.

Significant oil prospects have been identified to date. Gas prospects and leads identified to date contain an estimated multi-Tcf unrisked mean recoverable resource with associated condensate. Importantly, the diversity in play types identified in the licence area would allow the drilling of multiple independent wells to test the prospectivity and potential of this block.

Further information on the range of resources outlined above are provided in Otto's release of 11 May 2011.

Service Contract 55 contains both carbonate and sandstone reservoir targets in a variety of settings. The Hawkeye and Cinco prospects provide an indication of this diversity of play type and are the two most drill mature in the present portfolio.



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### **Service Contract 51, Onshore Leyte, Philippines**

- OEL (through its wholly-owned subsidiary NorAsian Energy Ltd) 40% Interest and Operator
- Area 3,320 km<sup>2</sup>
- Work commitment in the current sub-phase requires drilling of 1 exploration well by July 2011

During the quarter, Otto drilled the Duhat-1/1A well to a total depth of 325m before becoming stuck due to unstable hole conditions. High background gas readings were observed during drilling. These high gas levels, in formations of relatively low rock strength coupled with unexpected shallow overpressure in the Miocene Tagnocot interval require further study prior to recommencement of exploration in the block.

Otto and its partners in SC51 are excited by the results of the initial drilling campaign and are currently finalising a work program for further exploration in the block. The joint venture intends to move forward into the next sub-phase commencing on 1 August 2011.

Otto has elected not to 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 Offshore Visayas, Philippines**

- OEL (through its wholly-owned subsidiary NorAsian Energy Phils Inc) 79% Interest and Operator
- Area 5,280 km<sup>2</sup>
- Work commitment in current sub-phase contains a minimum 3D seismic requirement of 50 km<sup>2</sup> or 1 exploration well by August 2012

Following promising interpretation of the 760 km of 2D seismic acquired over this area in 2010, Otto has completed acquisition of over 210 km<sup>2</sup> of 3D seismic over the Lamos and Lamos South prospects during June 2011.

Otto has now commenced the processing of the newly acquired 3D seismic data and expects the resulting data to be ready for interpretation within 6 months.

The data acquired from the successful 2D seismic campaign last year confirmed the presence of two sizeable reef structures, Lamos and Lamos South that sit immediately adjacent to the Calamangan Trough which is modelled to generate both oil and gas. Some direct hydrocarbon indicators were evident on the 2D seismic data. Current "success case" estimates of oil initially in place in the combined structures range between 22 mmbbls and 713 mmbbls with a mean unrisked in place volume of 290 mmbbls.

### **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.

Expressions of interest for permits in Kenya have been made, and which, if successful, will provide for ground floor entry terms to exploration opportunities on trend with recent significant discoveries. Focus is also being made on discovered resources that require further appraisal prior to development commencing.

**CORPORATE**

**SHAREHOLDERS**

Otto's issued capital as at 11 July 2011:

	Number
Fully paid ordinary shares	1,138,290,071
Unlisted Options <sup>1</sup>	48,000,000
Performance Rights	-

<sup>1</sup> Exercisable between 12 and 60 cents per share.

**TOP 20 SHAREHOLDERS AS AT 11 JULY 2011**

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%
3	NATIONAL NOMINEES LIMITED	44,586,670	3.92%
5	ESCOR INVESTMENTS PTY LTD	20,000,000	1.76%
7	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	19,973,496	1.75%
8	JOHN JETTER (CONSOLIDATED RELEVANT INTEREST)	19,089,175	1.68%
9	RICK CRABB (CONSOLIDATED RELEVANT INTEREST)	16,995,052	1.49%
4	CITICORP NOMINEES PTY LIMITED	15,092,243	1.33%
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	14,865,670	1.31%
12	YRS INVESTMENTS LIMITED	13,520,833	1.19%
14	CITICORP NOMINEES PTY LIMITED <CWLTH BANK OFF SUPER A/C>	12,801,550	1.12%
11	MIDDLE EAST PETROLEUM SERVICES LTD	12,566,934	1.10%
13	RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <MLCI A/C>	10,971,695	0.96%
6	J P MORGAN NOMINEES AUSTRALIA LIMITED	8,704,685	0.76%
16	ESCOT FINANCE LTD	8,150,000	0.72%
17	IAN MACLIVER (CONSOLIDATED RELEVANT INTEREST)	6,306,942	0.55%
15	DALY FINANCE CORP	6,226,641	0.55%
18	FORSYTH BARR CUSTODIANS LTD <FORSYTH BARR LTD-NOMINEE A/C>	5,862,986	0.52%
19	MR DAVID KENNETH ANDERSON + MRS CHARMAYNE ANDERSON <THE CANTERBURY S/FUND A/C>	5,000,000	0.44%
20	WILLIAM TAYLOR NOMINEES PTY LTD	4,750,000	0.42%
<b>TOTAL TOP 20 SHAREHOLDERS</b>		<b>813,175,426</b>	<b>71.44%</b>
TOTAL REMAINING SHAREHOLDERS		325,114,645	28.56%
<b>TOTAL SHARES ON ISSUE</b>		<b>1,138,290,071</b>	<b>100.0%</b>

## ESTIMATED CASH OUTFLOWS

Otto's free cash reserve at the end of the quarter was US\$32.437 million (March: US\$30.434 million). This excludes US\$3.187 million (March: US\$3.951 million) remaining in escrow to fund the SC 55 seismic acquisition and processing. In addition, there remains approximately \$2.1 million of back costs in SC55 due to be paid upon completion of farm-in arrangements.

Expected cash outflows in the coming quarter are as follows:

	Sept 2011 Quarter US\$m Forecast	Jun 2011 Quarter US\$m Actual	Mar 2011 Quarter US\$m Actual	Dec 2010 Quarter US\$m Actual
Philippines				
• SC 14C	-	-	0.01	0.04
• SC 50	-	-	-	-
• SC 51	0.2	2.20	1.48	0.51
• SC 55 <sup>(1)</sup>	0.4	0.05	0.10	0.22
• SC 69	3.47	0.23	0.01	0.02
Turkey	-	-	0.81	1.24
Business Development	0.67	0.46	0.47	-
Administration	1.02	2.68	2.33	2.50
Total	5.76	5.62	5.21	4.53

<sup>(1)</sup> Excludes US\$0.764 million spent on processing and interpretation of the 1,800 km<sup>2</sup> 3D seismic in SC 55 in the quarter.

## CEO UPDATE

The Otto Board are currently finalising negotiations for the appointment of a new CEO and will advise the market accordingly once discussions are completed.

As advised previously, non-executive director Ian Boserio will provide assistance to the management team to ensure successful business delivery in the interim. In addition, Mr Matthew Allen has been appointed as Acting CEO. Mr Allen is currently the Chief Financial Officer and Company Secretary of Otto.

# 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")

30 June 2011

### Consolidated statement of cash flows

Cash flows related to operating activities	Curent quarter \$US'000	Year to date (12 months) \$US'000
1.1 Receipts from product sales and related debtors	-	4,081
1.2 Payments for (a) exploration & evaluation		
-Excluding 1800km2 SC55seismic	(2,953)	(9,651)
-1800km2 SC55seismic	(764)	(3,543)
(b) development	-	-
(c) production	-	-
(d) administration	(2,679)	(9,876)
1.3 Dividends received	7,657	13,585
1.4 Interest and other items of a similar nature received	-	17
1.5 Interest and other costs of finance paid	-	(1)
1.6 Income taxes paid	-	260
1.7 Other (Farm In Contribution )	-	1,500
<b>Net Operating Cash Flows</b>	<b>1,261</b>	<b>(3,585)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	(217)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	27
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	3,703
1.12 Other (Sale of licence interest)	-	2,993
<b>Net investing cash flows</b>	<b>-</b>	<b>6,506</b>
1.13 Total operating and investing cash flows (carried forward)	<b>1,261</b>	<b>2,921</b>

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**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	1,261	2,921
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	-	2,593
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(1)	(11)
1.18	Dividends paid	-	-
1.19	Other (Share issue costs)	-	(8)
	<b>Net financing cash flows</b>	(1)	2,574
	<b>Net increase (decrease) in cash held</b>	1,260	5,495
1.20	Cash at beginning of quarter/year to date	34,385	29,230
1.21	Exchange rate adjustments to item 1.20	(20)	899
1.22	<b>Cash at end of quarter</b>	35,624	35,624

**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	106
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	106

**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

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### 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

### Estimated cash outflows for next quarter

	\$US'000
4.1 Exploration and evaluation	4,735
4.2 Development	-
4.3 Production	-
4.4 Administration	1,024
<b>Total</b>	<b>5,760</b>

### 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.	Curent quarter \$US'000	Previous quarter \$US'000
5.1 Cash on hand and at bank	35,449	34,284
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (Term Deposit)	175	101
<b>Total: cash at end of quarter (item 1.22)</b>	<b>35,624</b>	<b>34,385</b>

### 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	SC55, Philippines Service Contract Area Farm-down	93.18%	33.18%
6.2	Interests in mining tenements acquired or increased			

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**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 <b>Preference securities</b> <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 <b>*Ordinary securities</b>	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 <b>*Convertible debt securities</b> <i>(description)</i>	Nil	Nil		
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	Nil	Nil		

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**Appendix 5B**  
**Mining exploration entity quarterly report**

7.7	<b>Options</b> ( <i>description and conversion factor</i> )	58,000,000 Unlisted Options	Nil	1,500,000 Exercise Price \$0.35	On or before 10 Apr 2012
		10,000,000 Unlisted Performance Rights	Nil	2,500,000 Exercise Price \$0.60	On or before 01 Aug 2012
				7,500,000 Exercise Price \$0.12	On or before 30 June 2014
				4,000,000 Exercise Price \$0.12	On or before 08 September 2012
				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
				13,000,000 Exercise Price \$0.12	On or before 26 November 2013
				6,000,000 Exercise Price \$0.125	On or before 30 November 2013
				4,000,000 Exercise Price \$0.1325	On or before 16 March 2014
		5,000,000 Performance Rights	On or before 30 June 2011		
		5,000,000 Performance Rights	On or before 30 June 2012		
7.8	Issued during quarter	Nil	Nil	Nil	Nil
7.9	Exercised during quarter	Nil	Nil	Nil	Nil

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**Appendix 5B**  
**Mining exploration entity quarterly report**

7.10	Expired during quarter	10,000,000 Unlisted	Nil	4,000,067 Exercise Price \$0.20	On or before 29 May 2011
				3,999,967 Exercise Price \$0.30	On or before 29 May 2011
				1,999,966 Exercise Price \$0.40	On or before 29 May 2011
7.11	<b>Debentures</b> <i>(totals only)</i>	Nil	Nil	Nil	Nil
7.12	<b>Unsecured notes</b> <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.

Matthew Allen  
Acting Chief Executive Officer  
26 July 2011

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## 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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