OTTO ENERGY LIMITED

ABN 56 107 555 046

18 October 2006

Manager of Company Announcements
Australian Stock Exchange Limited
Level 6, 20 Bridge Street
SYDNEY NSW 2000

By E-Lodgement

Otto announces the start of an offshore seismic survey and provides an update on its other operations in the Philippines

Highlights

- Commencement of a 450 line km offshore seismic survey over giant Marantao prospect in SC55 (Otto 55%)
- An engineering study on the offshore Villaba-1ST gas discovery in SC51 (Otto 50%) is proceeding
- Detailed well planning and design for the re-entry/horizontal drilling and extended well test of the offshore Calauit-1B oil discovery has commenced

SC55 (Otto 55%)

Otto Energy Limited (Otto) announces that it's wholly owned subsidiary NorAsian Energy Limited (NorAsian), together with its Joint Venture partner Trans-Asia Oil and Energy Development Corporation (TransAsia) expects to commence acquisition of 450 line kilometers of seismic data in deep water Service Contract 55 on 19 October, 2006. The survey is funded by the farminee Vital Resources Corporation (Vital) and will be conducted by the seismic vessel Veritas Searcher and is part of the on-going group survey involving PNOC, Nido, CNOOC and others.

Otto's Service Contract SC55 covers an area of 9,000 sq. km and is the first ultra deepwater block awarded by the Philippine Department of Energy.

With several large structures initially identified in the exploration licence, the current seismic acquisition is focused on the giant Marantao prospect, a carbonate build-up (reef) interpreted to be at least 5 times larger than the Malampaya reef structure, Philippines largest oil and gas field operated by Shell. Marantao lies in 1,900 meters of water and is over 150 sq km in size at closure level with at least 500 meters of vertical relief.

Volumetric estimates indicate that the structure can host 500-750 MMBO or 2.5 – 4.0 TCF of recoverable gas. NorAsian expects that the current seismic acquisition campaign together with 558 line km of seismic data currently being reprocessed by Fairfield Vietnam and 358 km of gravity and magnetic data that will also undergo processing will mature Marantao into an exciting drillable prospect.

The Marantao prospect and other reefal structures and possible deepwater turbidite sands in SC55, also are on-trend with the deep water oil discoveries of Murphy and Shell, immediately to the SSW in offshore Malaysia. These discoveries are reported to be in the "giant category" range of up to 600 million barrels of recoverable oil. Numerous oil and gas seeps have been identified from satellite maps over the area which may be indicative that SC55 is within an active hydrocarbon generating province.

SC51 (Otto 50%)
Otto's subsidiary NorAsian also operates Service Contract 51,which consists of two sub-blocks over the East Visayan Basin. An engineering study is being conducted on the Villaba-1ST gas discovery well located in the northern block of SC51. The study will determine the deliverability of gas from the Villaba reef. Additional geophysical mapping will be carried out on 250 km of seismic that is currently being reprocessed to identify additional gas resource potential in three satellite reef structures in the immediate vicinity of the Villaba gas discovery.

SC50 (Otto 65%)
With the Company having secured a Bareboat Charter for a Multi Purpose Semi Submersible due to arrive in late 2007, detailed well planning and design for the re-entry/horizontal drilling and extended well test of the Calauit-1B oil field has resumed. Independent expert, Dr Andrew Wadsley has determined that the Calauit 1B oil field contains 39.5 million barrels of oil in place (mean category) of which 6.44mm barrels are recoverable.

Commenting on the company's progress, Otto's Managing Director Jaap Poll said: -

"The commencement of the offshore seismic survey over the giant Marantao prospect marks the start of an exciting new phase in Otto's short history. Within a two year period Otto has discovered gas in onshore Turkey, acquired ownership of a small but proven offshore oil field in the Philippines and has agreed to acquire a significant stake in an exciting oil target in Argentina. With new seismic over Marantao, the Company will be in a position to invite oil majors to join it in its deep water search in the Philippines".

Yours faithfully

Dr Jaap Poll
Managing Director

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Editors Notes :

About Otto
West Perth-based oil and gas explorer Otto Energy limited ("OEL") listed on the ASX on 20 December 2004 and has assembled a balanced portfolio of oil and gas exploration and production projects in the Philippines, Turkey and Argentina.

Philippines
Otto recently acquired 100% of NorAsian Energy Limited (NorAsian"), which gives the company operational control to progress the development of the Calauit Oilfield (SC50 - 65%) in late 2007, after recently securing a semi-submersible drilling and production rig. The Calauit Oilfield contains 39.4 mm barrels of oil in place of which 6.44 mm barrels are recoverable (mean category). Other licenses include East Visayan (SC 51-50%), Ultra Deep Water Palawan (SC 55-55%)

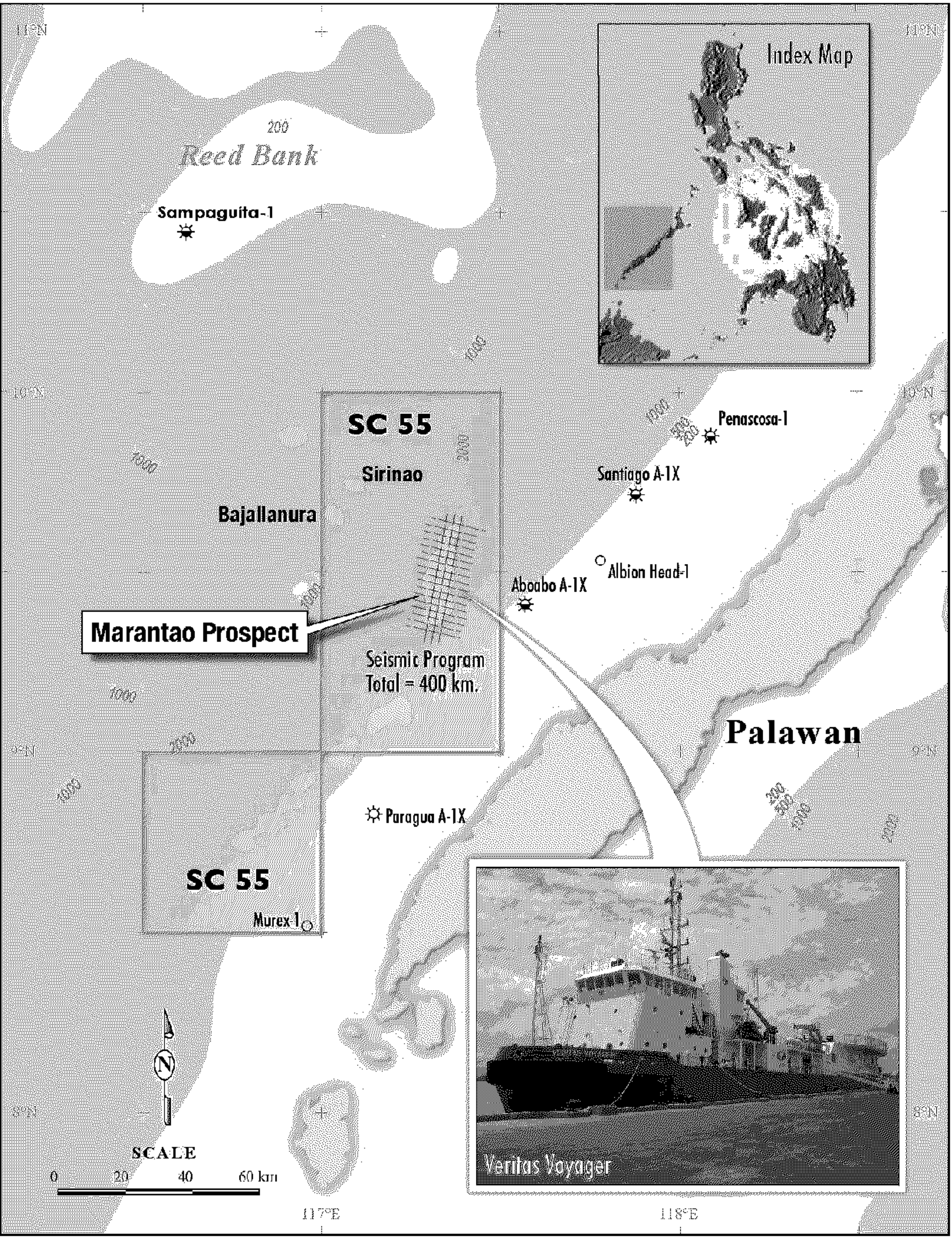
Otto now has one of the largest publicly owned acreage holdings offshore Philippines, with a total area of over 15,000 sq km (over 3.7 million acres). Canadian Vital Resources Corp ("Vital") agreed to acquire a 35% interest in SC 50 and a 30% interest in SC 51 and SC 55 on advantageous terms to Otto.

Turkey
Otto has 65%-80% in 3 gas prospective licences in the onshore Thrace Basin of European Turkey. Otto has a first well gas discovery in Bati Umur-1, which it hopes to commercialise in 2007, depending on further drilling success. Incremental Petroleum Limited ("Incremental") agreed to acquire 15% in the Edirne Licence by carrying out a $3million exploration program, which has recently commenced with an initial seismic survey to provide additional drilling targets.

Argentina
Otto and Oromin Explorations Ltd ("Oromin") agreed to a farm in arrangement, whereby Otto will initially earn a 32.48% working interest in the Santa Rosa Block in the oil prolific onshore Cuyana Basin of the Mendoza Province of Argentina - by contributing US$1.4m towards drilling with option to earn an additional 8.7 per cent.

Website: www.ottoenergy.com

Map of SC55 in the Philippines attached



Index Map
Reed Bank
200
Sampaguita-1
SC 55
Sirinao
Bajallanura
Marantao Prospect
Seismic Program
Total = 400 km.
Penascosa-1
Santiago A-1X
Albion Head-1
Aboabo A-1X
Palawan
Paragua A-1X
SC 55
Murex-1
Veritas Voyager
SCALE
0 20 40 60 km
117°E
118°E
11°N
10°N
9°N
8°N