ottoman ENERGY LTD

16 December 2004

Australian Stock Exchange Limited
Exchange Plaza
Level 8, 2 The Esplanade
PERTH WA 6000

Dear Sirs

INTERNATIONAL FINANCIAL REPORTING STANDARDS

We refer to the Company's Prospectus dated 22 November 2004 and in particular Notes (i) and (j) of the Financial Information on page 41 titled "Exploration Expenditure" and "International Financial Reporting Standards" respectively.

On 14 December 2004, the Australian Accounting Standards Board (AASB) issued AASB 6 Exploration for and Evaluation of Mineral Resources, the Australian equivalent to IFRS 6 Exploration for and Evaluation of Mineral Resources which was released by the International Accounting Standards Board (IASB) on 9 December 2004. The Standard was issued in accordance with the Financial Reporting Council's policy of adopting the Standards of the IASB and applies to annual reporting periods beginning on or after 1 January 2005.

In announcing the issue of AASB 6, the Chairman of the AASB, Mr David Boymal, stated that AASB 6 permits 'area of interest' accounting to continue for exploration and evaluation costs. Consequently, the practical application of the Standard is that it should provide similar outcomes for the treatment of exploration and evaluation costs to that currently provided under our existing Standard, AASB 1022 Accounting for the Extractive Industries. The key area of concern raised by the AASB and a number of our constituents during the development of the Standard was that the proposal to assess any capitalised exploration and evaluation costs for impairment would significantly limit the ability of some entities to continue their existing practice of capitalising exploration and evaluation costs. Although the Standard still requires impairment testing, the IASB has responded to these concerns by reshaping the impairment testing requirement to more closely align with factors AASB 1022 specifies must be satisfied for an entity to capitalise their exploration and evaluation costs. As a result, Australian entities that have been capitalising their exploration and evaluation costs should be able to continue to do so in 2005.

Accordingly, the information contained in the notes in the Financial Information in the Prospectus is consistent with the recent release of AASB6.

Yours faithfully

Mr David Riekie
Director

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