OTTO
ENERGY

31 August 2006

Mr Nicholas Ong
Senior Adviser, Issuers
Australian Stock Exchange Limited
Level 8, 2 The Esplanade
PERTH WA 6000

By facsimile: 9221 2020

Dear Nicholas

OTTO ENERGY LIMITED ("Company")

I refer to your letter dated 31 August 2006 in relation to the recent change in price of the Company's securities and respond as follows in line with the numbering of your letter:

1. The Company is not aware of any information concerning it, that has not been announced and which, if known, could be an explanation for recent trading in the securities of the Company.

2. Not applicable.

3. The Company notes that its share price has increased following the recent publication of a number of media articles and an analyst report prepared by Strachan Corporate dated 22 August 2006.

   A copy of the Strachan Report is available on the Company's website located at www.ottomanenergy.com under the heading "Analyst Report".

   We also note that independent analyst Peter Strachan was quoted from the Strachan Corporate Report in referring to the Company on page 39 of today's West Australian newspaper.

   In addition, a summary of the Company and its projects was also detailed in the Oil and Gas Weekly dated 27 August 2006. A copy of this article is also available on the Company's website under the heading "Media".

4. I further confirm that the Company is in compliance with the ASX Listing Rules and, in particular, Listing Rule 3.1.

Yours faithfully

Nicki Telfer
Company Secretary

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16 Thelma Street
West Perth Western Australia 6005

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31 August 2006

Nicki Telfer
Company Secretary
Otto Energy Limited
PO Box 1263
West Perth WA 6872

By: Facsimile: 9322 7602

Dear Nicki

Otto Energy Limited (the "Company")

RE: PRICE QUERY

We have noted a change in the price of the Company's securities from $0.16 on 30 August 2006 to $0.20 today. We have also noted an increase in the volume of trading in the securities over this period.

In light of the price change and increase in volume, please respond to each of the following questions.

1. Is the Company aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the securities of the Company?

2. If the answer to question 1 is yes, can an announcement be made immediately? If not, why not and when is it expected that an announcement will be made?

   Please note, if the answer to question 1 is yes and an announcement cannot be made immediately, you need to contact us to discuss this and you need to consider a trading halt (see below).

3. Is there any other explanation that the Company may have for the price change and increase in volume in the securities of the Company?

4. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Your response should be sent to me on **facsimile number 9221 2020**. It should <u>not</u> be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, **not later than 5.00 p.m. (W.S.T)** today.

The response must be in a form suitable for release to the market. If you have any concern about release of a response, please contact me immediately.

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond by the time requested, or if the answer to question 1 is yes and an announcement cannot be made immediately, you should consider a request for a trading halt in the Company's securities. As set out in listing rule 17.1 and the guidance note titled "Trading halts" we may grant a trading halt at your request. We may require the request to be in writing. We are not required to act on your request. You must tell us each of the following.

- The reasons for the trading halt.
- How long you want the trading halt to last.
- The event you expect to happen that will end the trading halt.
- That you are not aware of any reason why the trading halt should not be granted.
- Any other information necessary to inform the market about the trading halt, or that we ask for.

The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. If a trading halt is requested and granted and you are still unable to reply to this letter before the commencement of trading, suspension from quotation would normally be imposed by us from the commencement of trading if not previously requested by you. The same applies if you have requested a trading halt because you are unable to release information to the market, and are still unable to do so before the commencement of trading.

If you have any queries regarding any of the above, please contact me on 9224 0017.

Yours sincerely,

Nicholas Ong
Senior Adviser, Issuers (Perth)